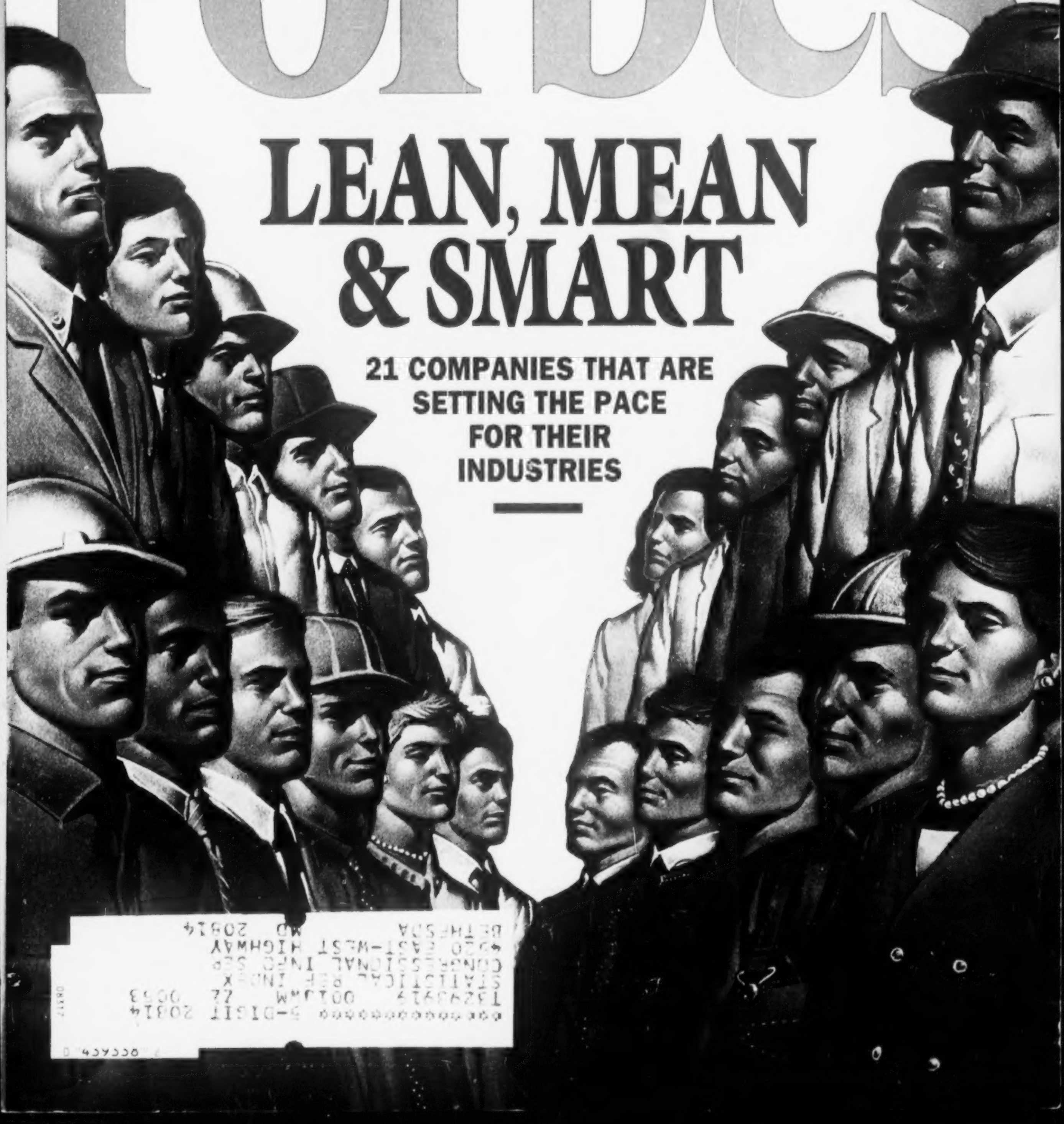
ANNUAL REPORT ON AMERICAN INDUSTRY

PERFORMANCE YARDSTICKS ON 1,209 COMPANIES

January 6, 1992 Four Dollars

Forbes



LEAN, MEAN & SMART

21 COMPANIES THAT ARE SETTING THE PACE FOR THEIR INDUSTRIES

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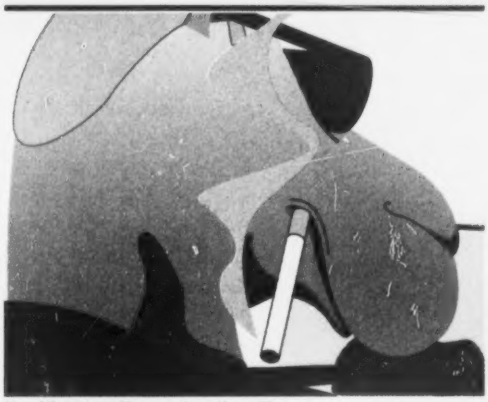

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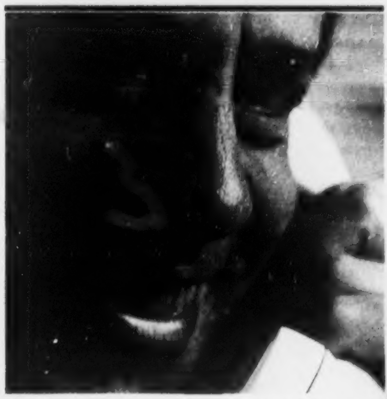

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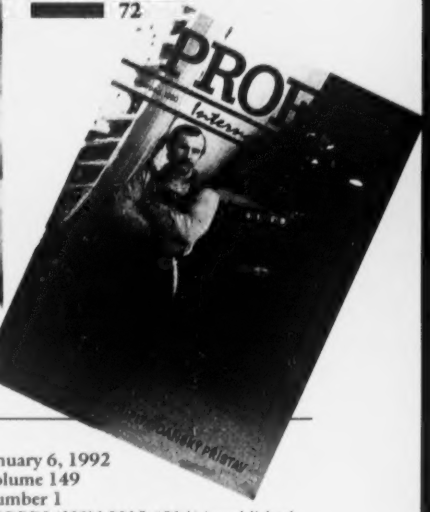

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Cover illustration by Cary Henrie

WHAT'S AHEAD FOR BUSINESS

EDITED BY HOWARD BANKS

Job trends across the millennia

ECONOMIC GROWTH IN THE U.S. in the next 10 to 15 years will be restrained by the expected slow growth of the labor force, according to a new study by the Bureau of Labor Statistics. The total labor force in the U.S. is projected to grow by about 1.3% a year between now and 2005, down from about 2% per annum in the past 15 years. At the projected rate, the number of people employed in 2005 will be a little over 142 million, up from 123 million today.

Most recent trends are not expected to change much. The working population will steadily age, for instance; this should help boost productivity, as the experience level of the work force increases in step, especially as we leave the heavy lifting jobs behind us. But the rapid growth of women entering the work force is now expected to slow, to 1.6% a year from 2.3% in the earlier 15-year period.

One reason for this expected trend, explains Ronald Kutscher, associate commissioner at the BLS, is that an increasing proportion of working women have been dropping out of the work force to have children.

The single biggest change in the latest study is the increasingly rapid expected growth in labor market participation by minorities—blacks and Asians and especially Hispanics. By 2005, minorities are expected to account for more than 25% of all working people in the U.S. Given regional concentrations, says Kutscher, this means that the labor force in some areas will involve 50% or more of these groups. The fastest growth will occur among Hispanics, who are expected to make up over 11% of the work force by 2005, up from 7.7% in 1990.

Manufacturing's share of total national output is projected in the BLS study to remain around 19%, meaning that the nondefense sector will exhibit considerable growth to take up the slack left by defense cuts. But the share of employment taken by manufacturing will continue to decline, from 24% in 1975 to 17.5% in 1990, and to 14% in 2005.

That's obviously a hopeful message for productivity. But a breakdown of where those jobs will mostly be lost will provide a field day for the protectionists. Textile and garment jobs will show marked declines. And basic industrial jobs, such as running a machine tool, will be automated out of existence.

One rather depressing result from the study is that jobs for lawyers and paralegals are also expected to continue to multiply.

The service sector will continue to show the fastest job growth; almost all of the 30 fastest-growing job categories are in this sector. Health care jobs naturally dominate this list.

"Each previous study has underestimated growth in the medical sector," says the BLS' Kutscher. "It's kind of breathtaking how rapidly it continues to grow." As the population continues to age, the trend seems unending.

Automation will, however, take its toll of many mundane service jobs, such as filing clerks, accounting machine operators and the like. Increasingly, directory assistance from phone companies will be available by computer. And services will see increased foreign competition. Many back-office jobs in the financial and publishing industries have already moved to lower-cost regions like the Caribbean Basin.

The most serious implication of the study applies to today's teenagers and preteens. All of the job categories that are expected to grow the fastest require specific qualifications. And the first one required is high school graduation. This should particularly worry the Hispanic community, because of its high school dropout rates. Says Kutscher: "Today's kids must realize that if they don't finish high school, they've committed job hari-kari." ■

Examples of jobs projected to have the fastest growth between 1990 and 2005, and some expected to have the greatest decline.

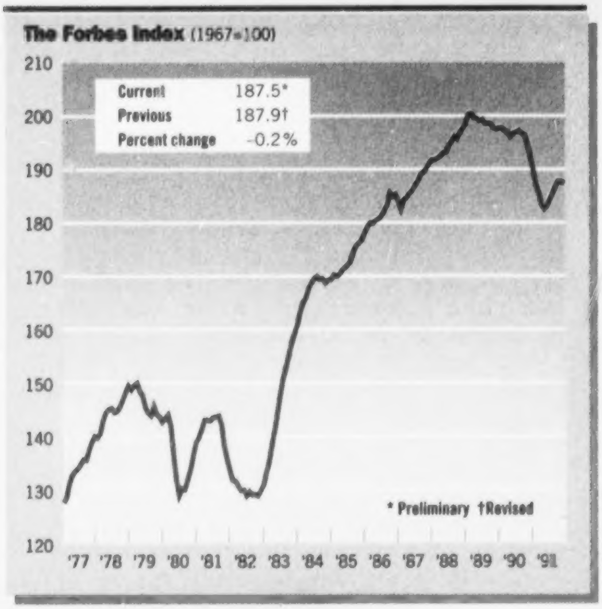
Winners and losers

Occupation	% change	Occupation	% change
Home health aides	92%	Telephone operators	-59%
Paralegals	85	Electrical equipment assemblers	-48
Systems analysts	79	Private child care helpers	-40
Physical therapists	76	Precision assembly workers	-37
Operations research analysts	73	Textile machine operators	-31
Psychologists	64	Utilities meter readers	-25
Travel agents	62	Machine tool operators	-24
Corrections officers	61	Farm workers	-21
Flight attendants	59	Garment sewers	-20
Management analysts	52	Bank tellers	-5

Source: Bureau of Labor Statistics.

THE FORBES INDEX

BY TIMOTHY DODMAN



The economy has two things going for it: low inflation and low inventories. The nonseasonally adjusted Consumer Price Index rose only 0.3% from October to November. Manufacturers' inventories declined for the seventh time in eight months. Since inventory liquidation can go on only so long, purchases should soon be matched by new manufacturers' orders. For now, the news is still dreary: Industrial production fell 0.4% in November, and new unemployment claims jumped 4.4%. After six months of marginal increases, the Forbes Index went down.

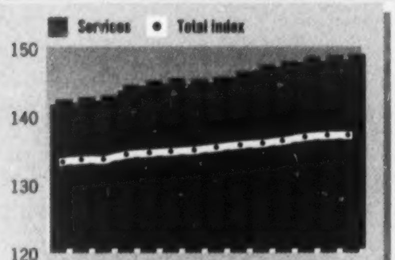
Other key rates	**Source**	**Status**
Prime rate	Chase Manhattan Bank	7.5%
Auto sales year to date vs 1990[1]	Ward's Automotive	-11.3%
Index of leading indicators Sept vs Aug	Dept of Commerce	-0.1%
Trade balance 12 months ended Sept 1991	Dept of Commerce	-$75 bil
All-commodity producer price index Nov vs Oct[2]	Dept of Labor	0.0%
GDP 3rd quarter vs. 2nd—annualized growth	Dept of Commerce	1.7%
M2 (3-month change)—annualized growth[3]	Federal Reserve	-0.8%

[1] U.S.-based manufacturers, excludes imports, as of 12/10/91. [2] Wholesale goods. [3] Includes M1 (public currency and checking deposits) plus savings accounts and money market funds.

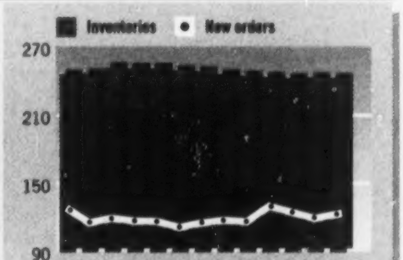
Index components

The Forbes Index is a measure of U.S. economic activity composed of 8 equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, new housing starts, total retail sales, the level of new orders for durable goods compared with manufacturers' inventories, personal income, total consumer installment credit.

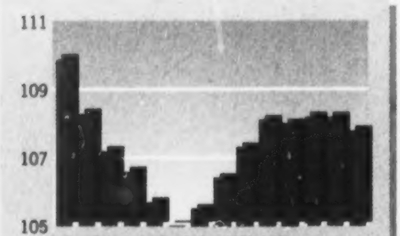
To measure these 8 elements, FORBES monitors 10 series of U.S. government data. The last 14 months' data for each series are presented below.



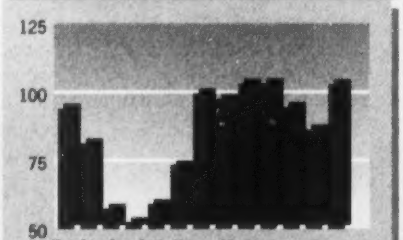
Consumer price indexes (1982-84 average=100) all urban consumers, unadjusted (Dept of Labor)



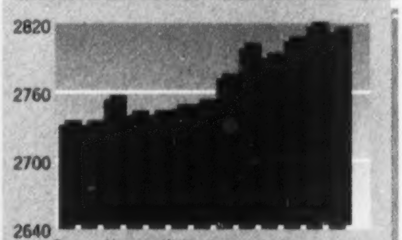
Manufacturers' new orders and inventories ($billions), seasonally adjusted (Dept of Commerce)



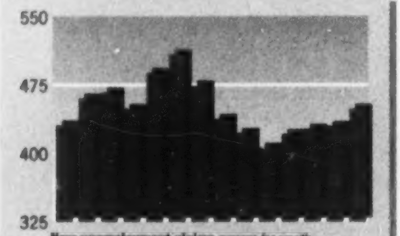
Industrial production index (1987=100) seasonally adjusted (Federal Reserve)



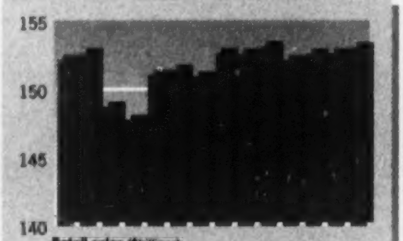
New housing starts (thousands) privately owned, unadjusted (Dept of Commerce)



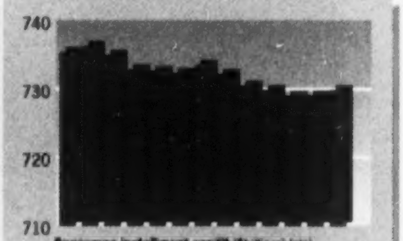
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept of Commerce)



New unemployment claims average for month (thousands), seasonally adjusted (Dept of Labor)



Retail sales ($billions), seasonally adjusted (Dept of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

The RJR buyout has been a smashing financial success. But enhanced debt ratings don't sell cigarettes.

Meanwhile, back at the retail counter

By James R. Norman

No question: Henry Kravis has pulled it off. By selling over $7 billion of new stock in RJR Nabisco Holdings and almost $6 billion of assets, his Kohlberg Kravis Roberts & Co. has cut RJR's debt from $29 billion at the time of the buyout in early 1989 to about $14 billion today. In mid-December, rating agencies raised RJR bonds back to investment grade. Meanwhile, RJR common has doubled since last winter, despite the tremendous dilution from the issuing of new shares.

That's the financial picture, and it is a beauty. But RJR doesn't just operate in the financial world. It must also sell lots of Ritz crackers, Oreo cookies and—most of all—lots of cigarettes. Louis V. Gerstner Jr., lured from American Express to be RJR's chairman and chief executive, must see to it that these goods keep moving off the shelves and into consumers' hands. Especially domestic cigarettes, which bring in a hefty 40% of RJR's revenues and two-thirds of its operating revenues.

Operating profit margins on RJR's $5 billion U.S. tobacco business remain an enviable 40%. But there are signs of deterioration. RJR continues to lose market share at a worrisome rate *(see chart)* in a cigarette business that is itself shrinking steadily by 3% to 4% a year. RJR's foreign tobacco sales are growing but are less than half as big as the U.S. operations and half as profitable.

In the U.S. a price war of sorts has roiled the long-disciplined tobacco market, resulting in the biggest shifts in market-share trends since the 1950s. While RJR management was preoccupied with financial problems, Philip Morris and other competitors were getting ahead in a burgeoning new market for cut-price smokes. In just two years, discount cigarettes have doubled their volume, to a quarter of the domestic market. They are heading quickly toward a one-third share. With cigarettes at $2 a pack and the economy in recession, even diehard smokers are watching their pennies.

Ironically, discount cigarettes was a market RJR had almost single-handedly created in 1985 when it launched Doral, selling for 40% less than its regular Camels and Winstons. But RJR's once dominant share has been outpaced by powerhouse Philip Morris *(see chart)*.

The biggest growth has been in deep-discount "subgeneric" brands such as Philip Morris' Bristol, American Brands' Montclair and Liggett's Pyramid. These subgenerics, so called because they are even cheaper than the generic cigarettes introduced in the early 1980s, sell for about half the more than $2 retail cost of a pack of full-price Marlboros, Winstons or Camels. Even though they don't require the heavy advertising support of the standard brands, these subgenerics are still less profitable than regular brands, yielding about two-thirds of the profit margins of full-price brands.

What is more worrisome, the discount brands have shattered old assumptions about brand loyalty and put a lot of market share up for grabs. "For 35 years it was hard to introduce a new brand," says American Brands' American Tobacco Chief Executive Charles Mullen. "Now we've had a window of opportunity, and we ain't through yet."

Despite leading the way previously with Doral, RJR refused to join in the new deep-discount fray in 1988 for fear of further cannibalizing its higher-priced Winston, Salem and Camel brands. But the low-price segment outgrew all expectations anyway, costing RJR several points of market share.

Last March RJR admitted its mistake and cut the price on its Magna and Sterling brands 30% to stem the erosion. "Total market share is important in getting shelf space," concedes Clifford Pennell, RJR's vice president for what it calls the "savings" brands. "We're going to defend our business in the low-priced end."

At the same time, disguised price-cutting has erupted in the top end of the market. RJR has had to step up couponing—discounting, by another name—to defend Winston, Salem and Camel. Philip Morris faces a similar threat to

Marlboro but has been better able to ride out the storm thanks to that brand's strong image and customer loyalty. Its unit sales for the first half of 1991 are down only about 4%, versus a nearly 8% drop for Winston, RJR's leader.

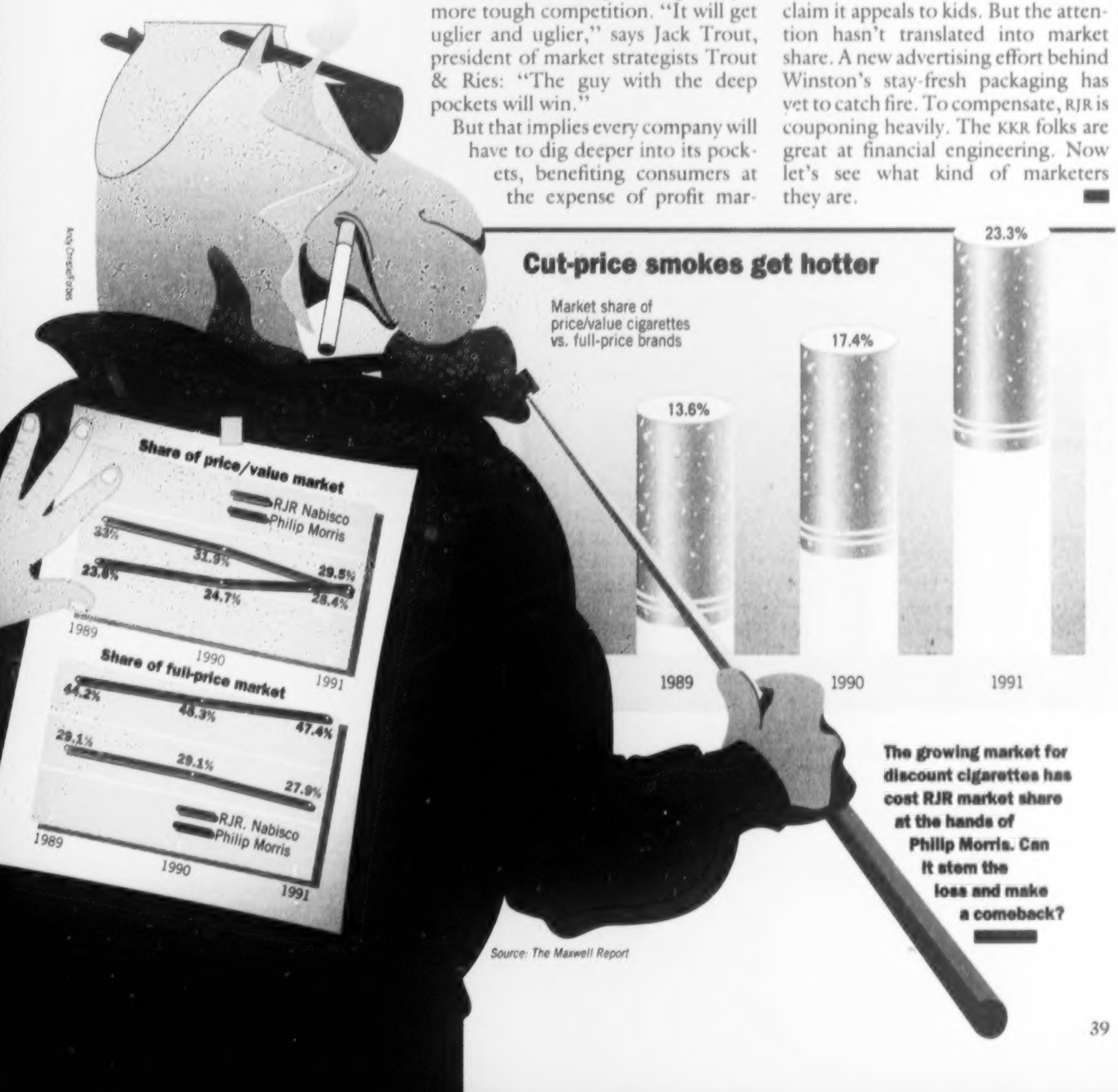
Between the new discount brands and the full-price couponing, industry sources say about 40% of the 460 billion cigarettes sold in the U.S. this year will have some kind of off-price deal. Even some discount brands have been couponing. All told, this price competition has partly offset the nominal double-digit price hikes in the past year.

The biggest price hikes have been in the deep-discount brands, which now sell at 40% below full price, rather than 60% below two years ago. But that escalation may have opened the door for yet a lower-priced tier of new brands. Liggett, which has been a low-price leader in the past, may again take the lead here. "We're looking at everything," says a cagey Gerald Reid, Liggett senior vice president of marketing.

Philip Morris, however, has shown that it is determined to keep the lead it has achieved in low-end cigarette market share, setting the stage for yet more tough competition. "It will get uglier and uglier," says Jack Trout, president of market strategists Trout & Ries: "The guy with the deep pockets will win."

But that implies every company will have to dig deeper into its pockets, benefiting consumers at the expense of profit margins. It also implies a battle royal in the marketplace. So far the big winners have been Philip Morris and American Brands. Their overall market shares have climbed impressively, thanks to new cut-price brands like Bristol and Bucks (from Philip Morris), and Montclair, Misty Slims and Bull Durham (from American Tobacco). Well-heeled Philip Morris is also taking full advantage of RJR's financial constraints and is stepping up the tempo of price changes and costly brand introductions.

RJR's Lou Gerstner has not been idle. His Joe Camel advertising campaign has attracted lots of attention—not all of it welcome, since critics claim it appeals to kids. But the attention hasn't translated into market share. A new advertising effort behind Winston's stay-fresh packaging has yet to catch fire. To compensate, RJR is couponing heavily. The KKR folks are great at financial engineering. Now let's see what kind of marketers they are. ■


Andy Christie/Forbes

The growing market for discount cigarettes has cost RJR market share at the hands of Philip Morris. Can it stem the loss and make a comeback?

Source: The Maxwell Report

Annual Report on American Industry

By Steve Kichen

Lean, mean, smart. Qualities of the 21 companies profiled in our 44th Annual Report on American Industry. Not only are these firms setting the pace for their industries in the midst of an economic slump, but they're well positioned to prosper once recovery kicks in.

Their stories are instructive in an otherwise sobering report of how corporate America is coping with the weak economy. Companies big and small are slashing employment. Defense contractors face an uncertain future. Energy companies face depressed prices. The capital goods business is still weak. The airline industry remains in a tailspin. Consumers just aren't spending. Not even the lowest mortgage rates in 15 years have revived housing.

Yet—as always—there were companies that coped well with adversity. FORBES has identified one standout in each of the 21 industries covered in this survey. How did we pick them? FORBES statisticians screened more than 1,000 companies to sort out those with the highest profits per employee, the highest sales per employee, the best return on equity and the lowest debt levels.

Using these lists as guidelines, FORBES writers then applied some subjective criteria to come up with a more well-rounded measure of efficient operation: Does the company really understand what its customers want and need? Is it getting the most out of its employees—not just in terms of productivity but in carrying out creative organizational changes to make decision making more decentralized. Finally, does the company execute what it sets out to do?

Some standouts: King World Productions, the leading distributor of first-run syndication television. It has fewer than 500 employees but earned nearly as much last year as the ABC television network. Jacobs Engineering, a construction company with a staggering 23% return on equity, thrives on a "faster, better, cheaper" quality improvement program that sets minimum standards for every job. Then there is the sage advice from Joseph Williams, chairman of Williams Cos., which in recent years has jettisoned some businesses it had been in for years. "Never fall in love with your assets," he says."If you do, you're a goner."

There wasn't much to love last year when it came to corporate performance. Latest 12-month sales growth for the median firm in this survey fell to 3.7%, compared with 6.6% one year earlier. That barely kept pace with inflation. The bottom line was this: Big corporate America had no real growth last year. Profits? Even worse. The median 12-month return on equity figure fell from 12.1% to 9.9%.

Day after day, the newspapers chronicled the inevitable consequences. IBM shed 10,000 workers and planned to cut another 20,000 this year. GM is expected to announce a new round of multibillion-dollar writeoffs and plant closings. Late in 1991 Pan Am and Midway shut down and another 12,500 people lost their jobs.

It's hard to detect a silver lining in these black clouds, but there is one: In the 1981-82 recession, drastic cutbacks in employment and factory closings helped create a leaner, smarter, more efficient corporate sector. When the economy recovered, profits came roaring back. There is every reason to expect that the process will repeat in the early 1990s.

In these days of global business, it is getting harder and harder to draw a clear line between U.S. and foreign companies. This year we added another 15 international giants. For example, we list Honda as the most efficient "American" carmaker. No, this isn't a mistake. Half of Honda's $35 billion in sales comes from the U.S.; 14,300 Americans work here for Honda, assembling 450,000 cars a year. And Honda's Accord is the bestselling car in America. Welcome to the global economy.

How we calculate the results

	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/ capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %

Profitability

Return on equity is calculated by taking primary earnings per share and dividing it by common shareholders' equity at the beginning of the year. FORBES calculates common shareholders' equity by assuming the conversion of all convertible preferred stock. For nonconvertible preferred stock, their liquidation value is subtracted from total equity.

Net income and earnings per share include gains or losses from discontinued operations but exclude extraordinary items.

Five-year average return on equity is calculated with a modified version of the sum-of-the-years digits method. This technique attaches a greater importance to the most recent results. Negative earnings are included in the calculation—provided the company has positive equity for the period in question. Companies are penalized for years in which they have a negative equity. If a company shows return on equity exceeding 100% in a given year, our computers automatically scale back this value to 100%.

For return on capital, we divide a firm's total capitalization into the sum of these three items: aftertax profits, the amount remaining if the interest paid on long-term debt were taxed, and minority interest. Most companies (excluding electrical utilities) do not report interest expense on long-term debt. In these cases FORBES estimates this figure for the latest 12-month reporting period. We assume a 34% corporate tax rate to compute the tax break derived from the interest expense. We define total capitalization as the sum of long-term debt, common and preferred equity, deferred taxes arising from depreciation accounting, investment tax credits and minority interest in consolidated subsidiaries.

Growth rates

We use the least-squares method to calculate sales and earnings growth rates. This equation adjusts for sharp fluctuations and comes up with a result that closely reflects the average rate of growth. Example: During a four-year period a company's earnings go from 50 cents to $1.25, then to $2.50 and finally $2.75 in the last year. That's a 150% jump from the first year to the second year, 100% in the third, and 10% in the fourth year. Least squares says that, on average, earnings grew by 78.7% (0.50 x 1.787 x 1.787 x 1.787). If you try to perform this calculation yourself, you will come up with $2.85 rather than $2.75 in the final year. That's because the regression equation finds an answer that best fits the year-to-year change for all four years, not just between the first and last year.

The least-squares equation has one major limitation: It does not work with negative values. If earnings were negative at the start of the period, we calculated the growth rate for a shorter period, beginning with the first positive year. If a company lost money during one year in the middle of the measuring period, we dropped the year from our calculation and measured the growth rate over the remaining positive periods. Our assumption: that a brief loss should not dictate the direction of a company's long-term performance. However, if the company lost money in more than one year, a five-year growth rate is not calculated and the result is listed as not meaningful (NM).

We also had our computer check all growth rates with a comparison measurement to see if the earnings pattern made sense. Here's an exaggerated example: Over a four-year period a firm earned $10, 25 cents, $18 and 50 cents a share. The resulting growth rate, –37.6%, does a miserable job of describing the year-to-year change in the company's earnings. For such companies with wildly fluctuating profits, we marked the growth rates as not meaningful.

Time periods

The five-year growth rates shown in this issue require six years' worth of data. These rates are based on latest fiscal year-end results. If a growth rate covers a period of less than five years, we marked it with a footnote. When the range of available data is less than four years, the growth rate is marked as not available (NA).

Latest 12-month comparisons are between the most recent four quarters and the same four quarters in the previous year. Sales, net income and profit margins are measured over the latest 12 months. Debt as a percentage of total capital is based on the latest balance sheet.

Definitions

FORBES defines sales as net sales plus other operating revenue. Bank revenues consist of total interest income plus other income. For insurance companies, sales include premium income plus net investment and other income. Debt as a percentage of capital measures long-term debt, including capitalized leases, divided by total capitalization.

We calculate medians by listing the companies in rank order and selecting the middle company's value. When there is an even number of companies, we arrive at the median by averaging the data on the two middle firms. The all-industry median is calculated by taking the median of 21 individual industry medians. Companies marked with an NA are excluded from our median calculations. ■

AEROSPACE & DEFENSE

Preparing for even more draconian cuts in defense spending, suppliers are cutting jobs and costs.

By Howard Banks

Defense contractors are finally feeling the effects of reduced spending. Employment in this sector dropped 8% in 1991, to 1.2 million workers.

Tougher cuts are ahead. The Pentagon is working on "Base Force II," a program to reduce its budget by another $30 billion by 1995. This follows an almost 20%, or nearly $50 billion, cut already in progress. Spending on procurement and research and development in 1995 is expected to be $91 billion, down 45% in real (1992 dollars) terms from its 1985 peak.

Production of General Dynamics' F-16 fighter has been cut to 48 aircraft for 1992. That's down from the 72 jets that were originally planned. And, except for replacing the handful of planes lost in Desert Storm, McDonnell Doug-

Working both sides of the swings

Many companies have talked about preparing for the downturn in defense spending, but few have made as much progress as Textron Inc. Five years ago military business accounted for around 60% of its Bell Helicopter sales and closer to 70% of its Textron Aerostructures division's sales. Today the military-civil split has in each case almost exactly reversed. That's important, because the two divisions combined represent 46% of the conglomerate's $7.9 billion sales.

"We decided in the early 1980s that there had to be a better balance between military and civil. In the case of helicopters, the world market is not big enough to be in just one part or the other," says Webb F. Joiner, president of Bell Helicopter Textron Inc.

The opportunity to separate military and civilian operations came in the early 1980s when the Canadian government asked for bids to create a commercial helicopter business. Textron won and set up shop in 1984 near Montreal's Mirabel airport.

The Canadian government invested $181 million of the $225 million cost. Bell currently has a third of the total world civilian chopper market and employs 1,300 workers in Canada.

The Canadian connection runs pretty deep. Bell gets access to Canadian government export finance as well as promotion help from that country's embassies around the world (U.S. embassies are reluctant to get involved this way). Canada is also helping Bell move into formerly communist Central European markets.

Canada has, for example, put up 25% of the estimated $49 million development cost of Bell's new six-to-ten-passenger model 230. But this deal has an added twist. Japan's Mitsui (U.S.A.) Inc. has put up an additional unspecified amount of working capital for the project and will take 20 of the first 50 choppers.

Textron also forged international links with its Aerostructures division. It became a risk-sharing subcontractor to British Aerospace on two projects. The first is for the wing structure for BAe's 146 short-range jet. The second, an approximately $50 million investment, gave Textron the contract to build a major part of the wing for the Airbus A330 and A340.

New ventures bring risk, but Joiner is confident that Textron can handle the changes: "We are now well set to cope with the inevitable up and down swings in our aerospace businesses, whichever way it goes in future."

–H.B.

Red Horn

Textron's Webb Joiner

Switching to civil choppers.

las has virtually stopped making F-15s. Manufacturers of military jet engines will also feel the pinch: General Electric expects to build as few as 240 engines in 1995, down from 610 engines in 1985. United Technologies' Pratt & Whitney division faces the same kind of cutback.

In 1991 commercial jet deliveries hit a record $36.4 billion, a 17% increase over 1990. But this was not enough to offset the decline in military business: Return on equity of aerospace firms sagged to 9.4%, down from 13% in 1990. Profits, however, are expected to be up 3% in 1991, to $4.6 billion, according to the Aerospace Industries Association, thanks to cost-cutting and layoffs.

New orders for airliners are getting harder to find. In the fall Boeing will cut production of its 737 from 21 a month to 17. Firm backlogs are also declining. Boeing's $98 billion announced order book is down 5% from 1990; McDonnell Douglas' is down 12%, to $22.4 billion. When Frank Shrontz, Boeing's chairman, recently said that Boeing would probably lose orders if the economy didn't pick up soon, Boeing's stock dropped 3⅛ points in one day, even though the Seattle-based company has yet to have any cancelations.

There are still a few juicy defense projects. Spending on space is expected to reach $31.8 billion in 1992, up from $28.9 billion in 1990. In 1992 the Strategic Defense Initiative will soak up about $4 billion, including increased spending on surveillance satellites and a limited ground-based antiballistic-missile system. This will benefit companies such as Lockheed, Martin Marietta, Hughes Aircraft and Rockwell International. ■

Aerospace & defense	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		Return on capital latest 12 mos %	Debt/ capital %	Sales		Earnings per share				
Company	5-year average %	latest 12 mos %			5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Teledyne	45.8	def	def	50.6	1.8	-5.2	NM	P-D	3,269	-53	def
Martin Marietta	27.6	20.9	15.6	22.4	6.9	-3.7	11.3	-2.1	5,963	326	5.5
Raytheon	24.2	20.2	20.1	1.3	7.3	2.7	14.1	4.5	9,301	578	6.2
GenCorp	22.9	14.4	11.7	63.3	-10.6	6.6	15.3	3.4	1,919	29	1.5
General Electric	19.9	20.4	11.7	47.7	11.3	4.6	15.6	6.8	59,938	4,411	7.4
Precision Castparts	19.8	13.0	11.6	8.0	19.5	14.8	18.8	16.4	568	35	6.2
Teleflex	18.9	15.3	11.5	31.9	20.1	8.3	16.4	2.5	459	29	6.4
Rockwell Intl	18.1	14.7	11.8	13.1	NM	-3.7	4.1	0.4	11,927	601	5.0
Loral	17.2	14.6	9.9	36.2	23.8	99.1	10.1	18.6	2,829	103	3.7
E-Systems	16.3	16.3	14.3	10.0	14.0	8.6	12.6	23.0	1,921	105	5.5
Boeing	15.7	21.2	19.9	3.8	13.0	12.4	14.5	29.9	28,576	1,482	5.2
Lockheed	15.4	10.9	8.7	30.4	NM	0.0	NM	142.4	10,019	304	3.0
Thiokol	15.2	18.2	10.8	32.0	7.2	3.8	NM	22.7	1,252	55	4.4
Allied-Signal	14.9	def	def	37.7	4.7	-2.3	NM	P-D	11,970	-281	def
Fairchild	14.8	def	4.5	66.9	26.9	-22.8	NM	P-D	513	-9	def
United Technologies	13.8	6.0	5.9	25.9	7.4	0.2	21.9	-54.2	21,059	372	1.8
Sundstrand	12.5	15.0	12.5	35.9	4.4	3.5	18.0	-13.2	1,655	94	5.7
Sequa	12.2	def	1.5	52.3	33.0	-13.0	-29.6	P-D	1,914	-15	def
Textron	12.0	10.6	7.7	69.9	7.0	2.2	0.8	7.7	7,969	294	3.7
Litton Industries	11.5	5.5	5.6	40.3	3.5	3.5	NM	-56.8	5,351	65	1.2
Kaman	11.4	9.4	7.6	35.2	8.9	-3.3	-7.8	-6.5	791	18	2.3
Harsco	10.8	15.8	13.3	28.5	6.8	17.9	NM	41.4	1,862	69	3.7
Grumman	8.4	10.0	8.4	42.6	4.3	6.2	NM	10.0	3,967	92	2.3
McDonnell Douglas	8.0	6.0	5.7	53.0	6.7	8.4	-15.4	-42.3	17,803	211	1.2
Hexcel	7.1	2.5	3.5	45.5	10.9	0.1	-18.7	500.0+	387	3	0.9
UNC	7.0	4.9	5.4	57.0	NM	-7.5	NM	D-P	356	7	1.9
Northrop	6.9	16.6	11.7	32.8	NM	6.7	NM	28.0	5,648	172	3.1
Rohr Industries	6.1	7.4	6.4	52.3	17.2	28.4	-5.0	Z-P	1,385	31	2.2
Oshkosh Truck	6.0	0.7	0.9	7.4	2.2	-7.4	NM	D-P	420	1	0.2
SPS Technologies	3.4	def	def	28.3	8.3	-7.4	NM	P-D	396	-5	def
GM Hughes Electronics	2.9	1.2	5.5	3.2	3.8	-2.2	8.8	-38.0	11,232	445	4.0
General Dynamics	2.8	def	def	31.0	4.3	-11.7	NM	P-D	9,016	-191	def
Wyman-Gordon	1.6	def	0.6	26.3	NM	-1.2	NM	D-D	387	-1	def
Avondale Industries	def	def	def	18.9	11.3	7.9	NM	D-D	798	-31	def
Talley Industries	def	def	def	71.1	3.3	-17.3	NM	D-D	324	-61	def
Alliant Techsystems	NA	31.1	18.9	43.2	3.4*	3.4	NA	NA	1,265	42	3.3
ESCO Electronics	NA	def	def	3.1	-1.8	-10.6	NA	D-D	481	-67	def
Industry medians	12.2	9.4	7.6	32.8	6.8	2.2	-18.7	1.5	1,919	42	2.3
All-industry medians	13.2	9.9	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. Z-P: Zero to profit. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Thanks to corporate penny-pinching, the service industry experienced a lot of pain and not much gain last year.

By Reed Abelson

Forget service with a smile. The companies that provide temporary help, clean offices and haul trash have been gritting their teeth ever since the decade began. After experiencing double-digit earnings-per-share growth for much of the 1980s, these companies saw their profits fall an average of 10.1% in the last 12 months, following a 13% decline for the previous four quarters.

The weak economy was largely responsible for this poor performance. Businesses simply cut back on the number of pens and paper clips they ordered and put off renovations. Even Minnesota Mining & Manufacturing, the creative $13 billion (1990 sales) maker of everything from Post-it note pads to medical diagnostic imagers, is expected to show a profit decline in 1991, the first decline since 1985.

Conventional wisdom says that companies make heavy use of temporary employees during a recession in order to keep their payrolls lean and save on benefits. This wasn't the case for personnel firms like Kelly Services, Olsten Corp. and Adia Services. In the last 12 months the group fell victim to a white-collar recession, and earnings fell by more than a third.

Browning-Ferris Industries, the Houston waste hauler, also had a hard time. Hurt by the recession (much of its business is in the Northeast), the company took a $156 million charge in its fourth quarter to meet new government regulations covering its 100 solid-waste landfills.

In contrast, First Financial Management, which pro-

Business services & supplies	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		Return on capital latest 12 mos %	Debt/ capital %	Sales		Earnings per share		latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Company	5-year average %	latest 12 mos %			5-year average %	latest 12 mos %	5-year average %	latest 12 mos %			
Business services											
Rollins	44.4	35.1	29.1	0.0	8.0	9.4	8.8	13.2	467	30	6.5
Kelly Services	29.6	13.5	13.6	0.0	10.6	-3.0	19.2	-36.1	1,417	46	3.2
Pinkerton's	26.4	23.1	14.2	36.3	26.9	3.6	34.5	5.3	610	11	1.8
Olsten	21.2	10.2	7.7	35.5	20.0	30.8	14.8	-36.5	789	10	1.3
Equifax	21.0	13.0	9.4	14.6	12.7	6.6	11.0	-23.1	1,083	49	4.5
Automatic Data	20.9	21.9	19.4	4.6	7.9	3.6	17.6	13.2	1,787	232	13.0
Safeguard Scientifics	19.9	14.8	9.5	47.0	59.7	34.2	21.0	-9.3	565	12	2.1
Wackenhut	17.2	20.1	12.0	51.8	11.8	10.6	7.9	14.5	561	8	1.4
First Financial Mgmt	15.5	14.2	11.7	30.0	102.2	22.2	43.9	23.7	1,478	89	6.0
Shared Medical Sys	15.4	14.0	12.9	2.0	4.0	9.7	-11.4	10.2	432	25	5.7
Adia Services	15.1	4.7	4.7	3.1	27.9	-1.8	21.0	-52.1	645	9	1.3
Computer Sciences	15.0	12.4	11.5	16.3	15.0	13.6	20.5	-1.7	1,834	66	3.6
General Motors EDS	14.5	9.8	22.2	10.1	10.8	15.3	20.9	11.9	6,626	541	8.2
Standex International	13.7	13.4	10.5	31.3	4.7	0.0	14.2	-10.9	474	19	4.1
AAR Corp	13.0	6.1	5.3	22.7	13.8	1.2	6.0	-54.4	458	12	2.5
PHH	12.3	11.8	9.3	69.1	16.5	0.7	NM	23.4	1,991	46	2.3
American Building	11.9	13.3	12.0	19.2	9.8	8.3	14.4	10.0	723	11	1.5
PS Group	5.7	def	def	47.3	-23.3	3.3	NM	D-D	285	-35	def
National Education	2.4	def	0.9	39.4	15.9	-0.8	NM	D-D	377	-2	def
Volt Info Sciences	0.8	def	3.5	51.9	5.1	-9.6	NM	P-D	464	-1	def
Medians	15.2	13.2	11.0	26.3	12.2	5.1	14.3	-5.5	628	16	2.4
Business supplies											
Deluxe	29.2	27.1	25.9	12.8	13.9	5.9	9.7	10.7	1,466	184	12.6
HON Industries	26.6	25.6	19.8	19.4	6.4	-7.4	13.8	13.7	608	34	5.6
Minn Mining & Mfg	22.1	17.9	17.0	4.6	11.0	5.5	16.4	-7.8	13,396	1,190	8.9
Alco Standard	19.1	15.6	12.9	36.2	3.2	10.4	15.1	2.0	4,756	118	2.5
Reynolds & Reynolds	17.8	17.1	8.5	31.7	6.3	0.7	NM	-7.4	599	22	3.8

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. P-Z: Profit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

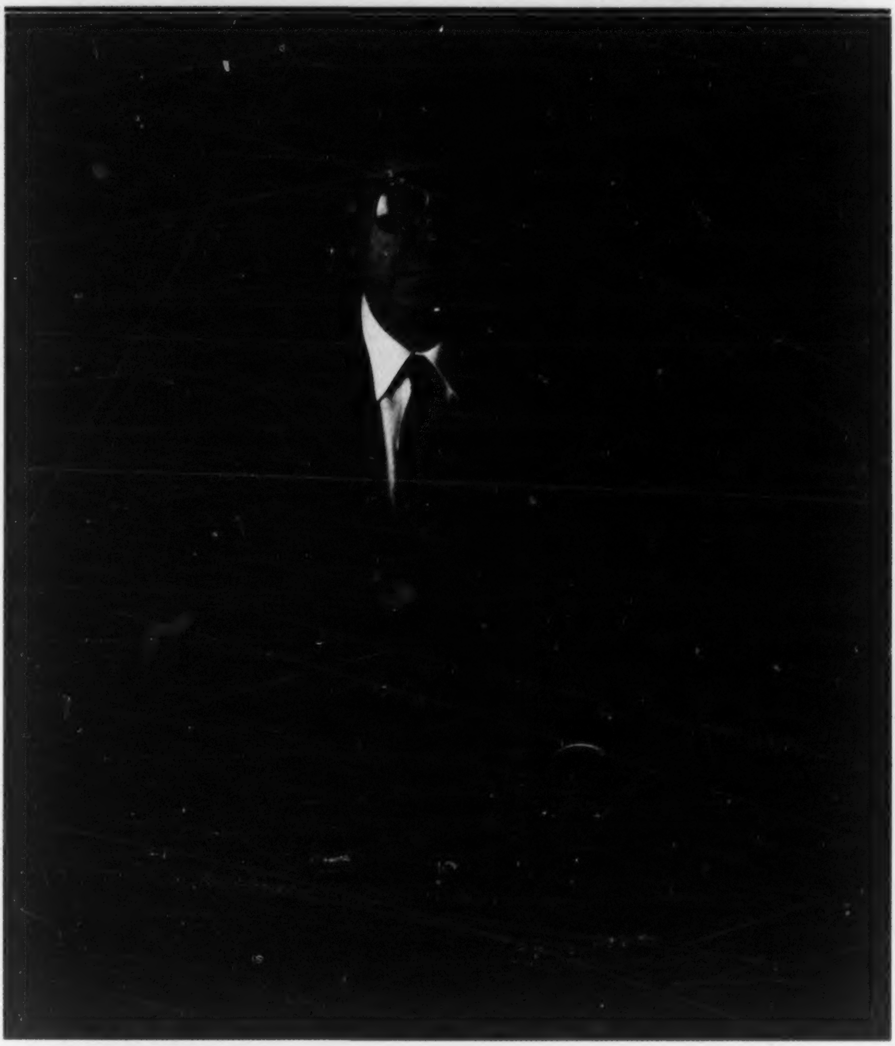
The check is in the (electronic) mail

A LOT of companies pay lip service to the idea of efficiency, but Harold Haverty, the chief executive of Deluxe Corp., has had to do a lot more than talk. Deluxe's core business of printing checks ekes out just a percentage point or two of unit growth a year. And while the vision of a checkless society was premature, businesses and, to a lesser extent, consumers are increasingly using computers rather than paper to pay their bills.

It's under these conditions that Haverty has managed to achieve 10% average earnings-per-share growth for the last five years. In the last 12 months, earnings reached $184 million on revenues of $1.5 billion. The company's return on equity has averaged 29% over the last five years.

How has Haverty accomplished all this? The St. Paul, Minn. company prints checks for more than 22,000 banks and commands over half the $1.9 billion check-printing market, so there isn't much room to grow through acquisition. So Haverty has invested over $125 million since 1987 in the latest check-printing technology. When Deluxe couldn't buy a more efficient printing system from outside vendors, it developed its own. With over 60 printing facilities across the country, Deluxe can serve any customer. Over 95% of traditional checks can be printed and shipped within two days.

Steve Niedorf



Deluxe Corp.'s Harold Haverty

Achieving double-digit profit growth in a mature market.

But Haverty hasn't just concentrated on squeezing the last drops of profit growth from his core business. Deluxe is now the largest third-party processor of electronic debit transactions, and many of its clients are the same banks that buy Deluxe checks. The data systems subsidiary also provides software and processes transactions for three of the five largest regional bank ATM networks. In addition, Deluxe has its fingers in the emerging point-of-sale and government benefits transfer markets. It was recently awarded a five-year, $34 million contract by New York State to develop an electronic system for its Medicaid program.

In its one big acquisition outside the funds transfer business, Deluxe bought a direct-mail company in 1987 that sells greeting cards, gift wrap and small gifts. The mail-order business has a list of over 9 million customers. What's the synergy here? Someday many of these people could be paying bills on home computers.

Deluxe still prints about 25 billion checks a year, but it is now using some of its excess capacity for printing short-run business forms. What happens if checkbooks eventually go the way of the buggy whip and the vacuum tube? Deluxe seems to be well prepared. –R.A. ■

vides data processing to financial institutions, has a five-year earnings-per-share growth rate of 44%. First Financial has been gobbling up companies, including Georgia's largest thrift, which was purchased in 1989. JWP Inc., the technical services company, made its most aggressive acquisition to date: Businessland, the troubled computer retailer, for $100 million in November 1991. But the October 1990 merger that formed Avery Dennison Corp. led to a $99 million restructuring charge.

Another company that may have had its fill of mergers is Xerox, which finally unloaded some burdensome financial services businesses. It recently announced plans to lay off about 2,500 employees, which will result in a writeoff of $175 million in the fourth quarter. Pitney Bowes, which spent roughly $250 million in R&D in the last few years, is ready to debut a new line of postal equipment.

Automatic Data Processing, the largest U.S. independent computer services outfit, was able to continue posting double-digit earnings growth during the last 12 months. Merrill Lynch's Stephen McClellan thinks Automatic Data Processing and other computer service companies like Computer Sciences and EDS should benefit from the growing tendency of corporations to hire somebody else to take care of their data processing. Once the recession is over, corporate America will probably again look to all these companies for services and supplies. ■

Business services & supplies	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity		Return on capital		Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	latest 12 mos %	Debt/ capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Pitney Bowes	17.8	18.1	11.5	34.1	12.2	4.8	6.6	103.4	3,293	289	8.8
Interface	17.3	5.6	5.9	56.3	44.2	-1.3	21.0	-56.4	601	11	1.9
Wallace Computer Svcs	15.4	12.5	11.2	5.7	8.9	2.3	8.4	-12.4	459	35	7.6
Comdisco	14.8	11.5	8.2	63.5	20.1	12.4	NM	-14.8	2,174	69	3.2
Herman Miller	13.2	1.9	2.7	14.6	11.6	-6.8	-11.5	-87.9	831	6	0.7
Moore Corp	12.8	6.2	5.8	2.8	6.8	-9.5	NM	-38.9	2,547	95	3.8
Standard Register	12.2	5.7	5.3	9.9	9.4	-2.3	-6.0	-52.3	698	18	2.5
Nashua	11.9	5.5	5.8	18.6	NM	-7.4	7.3	-57.4	538	7	1.4
Mine Safety Appliance	11.3	8.5	7.5	7.4	3.4	8.6	6.5	-17.3	495	24	4.8
United Stationers	10.3	5.6	5.4	26.8	9.2	-4.2	-6.9	-22.9	951	10	1.0
Diebold	9.2	8.0	8.4	0.5	3.3	3.0	NM	5.5	489	30	6.2
Avery Dennison	9.1	0.0	1.1	21.9	10.3	0.1	21.7	P-Z	2,568	0	def
Xerox	7.6	8.5	8.8	41.0	9.3	1.9	-10.1	289.3	17,968	598	3.3
AM International	def	1.2	5.7	31.6	NM	-2.1	NM	D-P	858	9	1.0
Anacomp	def	NE	13.5	104.1	39.9	-2.6	NM	500.0+	635	18	2.9
Savin	def	def	def	124.5	-2.2	-8.3	NM	D-D	335	-31	def
Smith Corona	NA	23.3	16.1	25.3	7.2	-19.7	NA	-26.0	352	17	4.8
Medians	12.8	8.2	8.3	23.6	9.1	-0.6	-6.0	-13.6	765	23	3.3
Industrial services											
JWP	25.7	15.7	10.5	43.0	78.5	23.1	41.2	5.1	3,212	60	1.9
Safety-Kleen	22.0	13.5	10.8	30.8	22.2	20.8	16.8	4.0	666	58	8.7
CDI	20.2	def	def	32.3	18.5	-14.8	11.0	P-D	794	-4	def
Figgie Intl	15.7	7.2	6.3	44.6	11.7	-5.5	8.6	-45.9	1,268	26	2.1
Ogden	15.3	7.5	5.0	75.1	11.8	-0.9	-12.7*	-49.4	1,546	36	2.4
Ecolab	14.7	10.5	10.1	37.6	21.8	-5.4	NM	212.1	1,297	51	3.9
Millipore	12.7	7.5	6.9	18.6	14.0	8.2	NM	-40.0	739	32	4.4
Browning-Ferris Inds	10.7	5.5	4.5	46.3	19.8	7.3	-13.4	D-P	3,183	65	2.1
CRSS	10.7	def	2.4	33.6	8.8	-2.2	-51.5†	P-D	475	0	def
Air & Water Tech	def†	def	def	52.3	12.4	12.8	NA	D-D	657	-24	def
Medians	15.0	7.3	5.6	40.3	16.3	3.2	-12.7	-43.0	1,031	34	2.1
Environmental & waste											
ICF Intl	29.2†	def	def	58.1	81.5	25.9	86.4	P-D	683	-18	def
Waste Management	24.5	20.8	11.3	40.4	30.0	37.7	24.0	11.7	7,397	775	10.5
Thermo Electron	12.9	12.7	9.7	35.7	21.6	22.5	19.0	20.3	801	43	5.3
Zurn Industries	12.7	12.1	11.5	3.9	13.8	-5.4	13.5	7.9	620	31	4.9
Medians	18.7	12.4	10.5	38.0	25.8	24.2	21.5	9.8	742	37	5.1
Industry medians	14.8	10.3	9.0	31.4	11.7	2.6	8.5	-10.1	731	26	2.7
All-industry medians	13.2	9.9	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. P-Z: Profit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Business is still weak. But most of these outfits are in good shape to rebound smartly when the recovery finally comes.

By Brigid McMenamin

The recession continues to batter the troubled capital-goods industry. New orders for capital goods were 5.6% lower in the first ten months of 1991 than in the prior year's same period. The latest available figures show a 7% increase in exports of capital goods in the first eight months of 1991. But that's about half the increase posted in the same period of 1990. Last year foreign demand for U.S.-made capital goods was hampered by a stronger dollar and weak local economies.

During the first nine months of 1991, retail sales of heavy equipment fell 21%; sales of mining equipment were off 10%. Bucking that trend was industry leader Harnischfeger, whose mining division registered a 3% sales gain, largely on the strength of exports of surface-mining shovels. Makers of construction equipment saw a 30% sales drop through the summer of 1991. Terex, which makes heavy-duty off-road construction and mining machines, lost $19 million in the first nine months of the year. Caterpillar expects at least $172 million in losses for 1991.

Manufacturers of farm machinery continued their bru-

Capital goods

	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/ capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Electrical equipment											
MagneTek	44.5	23.4	11.4	67.4	28.7	7.4	60.4	1.4	1,163	35	3.0
Mark IV Industries	33.2	14.2	8.4	68.5	57.4	25.2	42.2	-54.2	1,063	26	2.4
Premier Industrial	29.0	26.9	25.2	2.0	8.8	0.2	17.2	-3.1	633	73	11.5
Emerson Electric	20.4	21.1	18.9	12.8	8.0	-1.9	9.4	2.9	7,427	632	8.5
Hubbell	20.0	18.8	17.8	1.5	6.5	4.1	12.2	5.7	747	90	12.0
General Electric	19.9	20.4	11.7	47.7	11.3	4.6	15.6	6.8	59,938	4,411	7.4
Westinghouse	18.5	def	def	70.2	3.3	1.7	NM	P-D	13,080	-1,706	def
Valmont Industries	18.2	6.7	7.2	37.4	9.4	-7.1	58.0*	-58.4	443	8	1.7
WW Grainger	17.6	15.6	14.5	1.3	12.8	8.0	13.8	2.8	2,046	127	6.2
Honeywell	14.7	19.7	16.2	25.9	8.9	-1.5	NM	-39.3	6,155	338	5.5
Willcox & Gibbs	13.4	1.3	4.3	50.0	22.3	5.1	NM	-88.4	592	2	0.3
National Service	12.7	4.8	4.2	4.0	5.4	-2.8	-8.5	-67.8	1,602	32	2.0
Imo Industries	8.5	4.5	6.3	53.1	26.0	0.6	NM	-37.1	1,034	15	1.5
Penn Central	6.6	5.4	5.6	29.3	-4.7	24.3	NM	5.0	2,576	84	3.3
Genlyte Group	NA	2.9	5.6	66.4	5.7	-14.4	-8.4	-83.5	435	2	0.4
Medians	18.4	14.2	8.4	37.4	8.9	1.7	9.4	-37.1	1,163	35	3.0
Heavy equipment											
Terex	27.0	def	0.6	70.6	NM	-25.9	37.5	P-D	814	-19	def
Stewart & Stevenson	20.6	17.6	15.2	14.8	23.4	0.3	29.1†	1.4	669	32	4.8
Federal Signal	19.3	20.3	18.1	8.4	10.8	5.0	25.7	3.0	457	30	6.6
Nacco Industries	17.6	2.8	5.0	64.1	21.6	-0.8	6.8	-80.7	1,369	10	0.7
Tenneco	13.9	def	def	66.4	-1.3	-4.3	NM	P-D	13,900	-576	def
Ingersoll-Rand	13.3	9.1	7.9	13.5	7.4	-1.2	21.1	-29.8	3,619	142	3.9
Trinity Industries	11.7	7.6	7.1	50.6	28.4	-1.5	46.6	-13.4	1,265	26	2.1
Deere & Co	10.6	4.5	5.3	41.6	13.7	-7.6	NM	-69.4	7,219	136	1.9
Caterpillar	9.7	def	1.1	43.5	12.6	-8.4	19.8	P-D	10,481	-75	def
Harnischfeger Inds	9.3	11.5	11.3	12.0	28.7	-1.7	60.4†	2.9	1,674	67	4.0
Clark Equipment	6.8	def	def	23.7	10.1	-13.3	NM	P-D	1,263	-55	def
Interlake	6.5	NE	11.0	164.1	NM	-12.0	NM	D-D	723	-13	def
Allied Products	def	def	def	18.6	12.9	-12.7	NM	D-D	452	-21	def
McDermott Intl	def	def	2.3	41.4	NM	26.7	NM	D-D	3,536	-35	def
Medians	11.1	0.6	5.1	41.5	11.7	-3.0	13.3	P-D	1,317	-2	0.0

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. Z-D: Zero to deficit. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Zigy Kaluzny

Cooper Industries' Robert Cizik

Taking off the kid gloves.

Waste not, earn a lot

GIVEN the depressed capital goods market, Cooper Industries should be in trouble but isn't. Over the last 12 months Cooper's net income jumped 12%, to $382 million. With $6.3 billion in sales and 175 plants worldwide, Houston-based Cooper makes everything from electrical transformers to spark plugs.

Cooper's success is due largely to its chief executive, Robert Cizik, 60. A coal miner's son, Cizik doesn't wear kid gloves when he takes over a company. In 1989, for instance, Cooper spent $800 million to buy Champion Spark Plug, which had brand recognition but was losing out to foreign competition. "They were living in the glory days of the past," says Cizik. So he axed most of management, closed plants in Detroit and Toledo, consolidated operations and saved $50 million.

Cizik is tightfisted but knows when spending will pay off. At the Cooper Oil Tool division plant just outside Houston he replaced 15 old machines that make oil and gas valves with two new computer-controlled machines. They cost $1.5 million but freed up 3,000 square feet and cut production time from 16 weeks to 2.

Cooper also asked a team of plant engineers, marketers and accountants to work with suppliers and customers to improve valves made in the factory. It turned out that a valve one-third lighter would do the job. The task force cut overall manufacturing costs 35%, tripled profit margins on the new valve and got it from drawing board to customer in nine months instead of the usual three years.

Cizik is also trying to control medical costs. Last fall he got United Steelworkers in Canonsburg, Pa. to accept a cheaper health care plan and agree to phase out retiree health benefits. "The problem of retirees is too big for corporate America to take on its shoulders." He will start this year negotiating with Champion's United Auto Workers, from whom he's likely to seek the same concessions.

With a five-year average earnings-per-share growth rate of 16%, why is Cizik so eager to cut every extra penny? In Cizik's words, "To get more bang for the buck." –B.McM.

tal battle for survival. Industrywide sales dropped 14% in the first nine months last year, prompting a rash of price-cutting—and red ink. Tenneco's J I Case unit will probably have operating losses of over $500 million for 1991.

All this spilled over to the machine tool business. Cincinnati Milacron reported an 8% decline in latest 12-month sales and a $104 million net loss for the first nine months of 1991. Industrywide, new orders for electrical equipment were down slightly. But Hubbell's latest 12-month profits were up 5%.

Who wasn't hurting as much last year? Companies that make energy- and petrochemical-related capital goods. Record orders for valves and actuators helped Keystone International post a sales gain of nearly 12% for the lastest 12 months. Although the Gulf war stimulated an increase in worldwide drilling activity, softening oil prices have made this a short-lived domestic recovery for oilfield equipment.

What's ahead? In time, the Clean Air Act should spur capital spending, especially among U.S. coal-burning utilities and refiners, increasing demand for pumps, valves and compressors. And huge petrochemical refinery projects planned for Saudi Arabia and the Far East should also help the capital-goods makers. ■

Capital goods	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity		Return on capital latest 12 mos %		Sales		Earnings per share				
Company	5-year average %	latest 12 mos %		Debt/ capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Other industrial equipment											
Tyco Laboratories	23.1	13.3	11.6	39.6	29.6	33.7	28.6	-25.6	3,118	104	3.3
EG&G	22.2	21.4	20.7	0.5	15.5	16.6	7.1	11.5	2,663	79	3.0
Illinois Tool Works	21.4	16.3	12.7	12.5	32.4	7.6	35.7	-1.2	2,612	179	6.9
Dover	20.1	17.0	16.0	2.1	10.6	1.3	15.8	-11.9	2,212	134	6.1
Crane	20.0	16.0	12.4	20.5	9.6	-9.1	31.4	-13.4	1,320	51	3.9
Ametek	20.0	18.0	10.7	46.4	15.2	8.9	5.0	-1.2	701	36	5.1
Keystone Intl	19.5	17.3	15.4	18.2	17.3	11.5	22.2	-9.2	479	40	8.4
Applied Power	16.4	6.6	5.4	52.7	36.0	-2.6	-17.4†	-59.5	434	8	1.8
Donaldson	15.1	15.4	14.9	7.0	11.5	5.9	14.5	0.8	458	23	5.0
Stanley Works	15.1	12.0	9.6	21.9	10.9	-1.8	8.2	-12.7	1,951	96	4.9
Pentair	13.5	11.3	8.7	34.4	18.2	0.1	10.1	26.7	1,167	38	3.3
Kennametal	13.1	7.5	6.9	26.9	13.4	1.7	6.2	-45.8	616	18	2.9
Cooper Industries	13.1	11.7	9.6	30.0	15.1	4.6	16.2	8.4	6,277	382	6.1
Thomas Industries	12.7	3.3	4.3	40.1	9.7	-11.1	NM	-71.0	418	5	1.1
Great American Mgmt	11.3	15.1	8.2	68.0	26.1	-38.8	NM	-7.4	1,281	38	2.9
Goulds Pumps	10.9	15.2	11.9	16.2	11.8	6.3	9.1	500.0+	571	32	5.5
Lincoln Electric	10.6	def	def	28.9	18.4	9.3	NM	P-D	806	-3	def
Parker Hannifin	10.4	5.2	5.3	28.5	7.8	-3.9	-4.8	-54.4	2,399	52	2.2
Commercial Intertech	10.4	9.0	8.9	13.9	18.3	1.5	12.1	60.7	448	21	4.6
Trinova	9.9	def	0.6	22.9	3.2	-10.2	-13.1	P-D	1,764	-5	def
Tecumseh Products	9.2	4.9	4.7	3.2	13.0	-14.3	-15.2	8.5	1,193	34	2.8
Briggs & Stratton	8.8	13.3	10.1	18.3	5.6	-4.7	3.7	-6.9	949	37	3.9
Bearings	8.5	3.2	3.1	0.0	10.6	15.6	23.4	-52.3	810	4	0.5
General Signal	4.5	1.7	3.3	38.6	NM	-7.9	NM	-71.6	1,618	8	0.5
Timken	4.1	0.3	0.6	10.4	10.7	6.4	56.1†	-92.1	1,694	3	0.2
Cincinnati Milacron	def	def	def	41.4	2.1	-7.7	NM	P-D	779	-136	def
Sudbury	def	NE	def	102.9	11.5	-18.7	NM	Z-D	358	-68	def
Eagle-Picher Inds	def	NE	def	36.2	2.6	-11.4	NM	P-D	620	-16	def
Medians	12.0	10.1	8.5	24.9	11.7	0.7	6.6	-12.3	1,058	33	2.9
Industry medians	13.2	7.5	7.2	28.9	11.3	-0.8	7.1	-29.8	1,193	30	2.8
All-industry medians	13.2	9.9	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. Z-D: Zero to deficit. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Chemical exports increased, but a weak economy and overcapacity hurt prices and profits. The group should do better this year.

By Randall Lane

Now paying for the good years it had in the 1980s, the chemical industry is in somewhat of a bind. Past profits were poured into expansion, and that spawned the current overcapacity in most commodity petrochemicals--notably ethylene, styrene and polystyrene. Couple that with lagging demand thanks to the slow economy, and it's hardly surprising that industry earnings slumped an estimated 15% in the past year.

Particularly hard hit have been the commodity producers, including Dow Chemical and Union Carbide, which specialize in building-block petrochemicals. These companies flourished a few years ago, when organic chemicals were in short supply.

But no matter how well the economy performs this year, the Dow Chemicals and Union Carbides are still likely to feel the pinch from excess supply. More diversified chemical companies, such as Goodrich, Air Products & Chemicals and Monsanto *(see box, opposite)*, are likely to perform a little better.

Specialty chemical firms have benefited from lower feedstock prices and turned in stronger performances. Betz Laboratories, Great Lakes and Cabot all reported strong earnings last year.

Another bright spot this past year was chemical exports, which jumped more than 10% and raised the U.S. chemical trade surplus to nearly $20 billion. But several Asian facilities are scheduled to start operations in the next few

Chemicals	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		Return on capital latest 12 mos %	Debt/ capital %	Sales		Earnings per share				
Company	5-year average %	latest 12 mos %			5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Diversified											
Union Carbide	**28.1**	1.9	3.3	40.2	**NM**	-4.2	**-13.2***	-85.2	7,234	56	0.8
Dow Chemical	**27.2**	13.6	10.8	33.8	**13.1**	2.7	**23.6**	-15.2	19,391	1,308	6.8
Valspar	**23.1**	19.2	14.9	24.7	**11.6**	7.1	**19.2**	-2.6	610	25	4.1
A Schulman	**20.8**	19.4	18.1	3.6	**13.4**	8.5	**22.5**	19.9	736	42	5.8
Imperial Chemical Inds	**17.4**	7.5	5.6	21.5	**10.3**	-4.7	**10.9**	-46.4	22,576	775	3.4
Rohm & Haas	**17.1**	12.0	8.1	28.2	**7.4**	0.5	**9.6**	-11.1	2,782	170	6.1
Univar	**15.7**	0.7	1.6	43.2	**22.1**	1.9	**27.1**	-95.3	1,417	1	0.1
Rhone-Poulenc	**15.2**	0.5	3.5	38.3	**15.2**	13.1	**NM**	-93.0	15,096	165	1.1
EI du Pont de Nemours	**15.1**	13.0	8.9	24.3	**7.1**	6.0	**17.7**	-8.5	39,656	2,111	5.3
Monsanto	**15.1**	6.4	5.3	27.4	**6.5**	1.6	**15.3***	-55.4	8,940	261	2.9
Olin	**14.1**	def	0.5	34.8	**9.9**	-9.1	**9.9***	P-D	2,321	-15	def
BF Goodrich	**12.7**	2.5	2.9	21.5	**-4.0**	0.4	**74.5***	-77.5	2,440	40	1.7
Quantum Chemical	**12.3**	NE	1.4	92.2	**8.4**	5.6	**NM**	P-D	2,623	-96	def
Hercules	**8.9**	3.3	3.0	21.7	**4.7**	-3.6	**NM**	D-P	3,040	63	2.1
First Mississippi	**6.8**	3.3	3.8	32.6	**17.0**	2.2	**-36.0***	-17.9	541	6	1.2
FMC	**NE**	109.1	17.7	76.1	**3.2**	8.6	**27.7**	5.4	3,872	170	4.4
Medians	**15.2**	**4.8**	**4.6**	**30.4**	**9.1**	**2.1**	**13.1**	**-32.2**	**2,911**	**60**	**2.5**
Specialized											
Vigoro	**61.5**	44.4	13.9	43.1	**15.9**	4.7	**31.5**	44.5	581	28	4.8
Sterling Chemicals	**59.9***	34.0	19.2	31.9	**NM**	7.3	**-20.3***	-37.4	543	37	6.8
Georgia Gulf	**59.8**	NE	36.3	225.0	**13.4**	-6.5	**38.5**	-54.7	885	68	7.7
Freeport-McMoRan	**43.8**	14.3	8.4	54.4	**17.7**	-4.2	**37.7**	-76.2	1,598	106	6.6
Wellman	**34.1**	11.1	9.2	40.3	**42.6***	2.5	**39.5***	-34.1	811	44	5.4

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Do the right thing

Mark Katzman

Monsanto's Richard Mahoney

Intelligent diversification has yielded a better company.

MONSANTO Chairman Richard Mahoney chooses his markets carefully: The company will compete only where its product is the leader, or a close second. A division that's not up to snuff is sold and resources are focused elsewhere.

Tough standards. But they have served St. Louis-based Monsanto well over the years. Between 1986 and 1990, 18 units were sold, one was merged and another shut down, while three new businesses were added. During that same period sales went up 31%, to $9 billion, and earnings grew 26%, to $546 million. (Latest 12-month profits are only $261 million because of a restructuring charge mainly in the company's chemical operations, in which 2,500 employees were laid off. Several small plants will close.)

William Young, a chemicals analyst with Donaldson, Lufkin & Jenrette, estimates that Monsanto will have sales of $8.9 billion and earn $5 per share in 1991, and $6 a share in 1992.

Says Mahoney, "Efficiency isn't doing with less. Efficiency is doing smarter. Picking the right things to do and then doing them very well."

Mahoney has been picking the right things since the early 1980s, when Monsanto decided to change course. It sold its petrochemical unit, one of its key assets, to Du Pont in 1981. Paper, chemical and polystyrene divisions soon followed. In came higher-margin businesses such as Searle, the pharmaceutical maker. The company also acquired a line of agricultural products.

Three of Monsanto's top-selling products--NutraSweet artificial sweetener, Roundup herbicide and hypertension drug Calan—gained market dominance through patent protection.

Isn't that tempting to take advantage of? "You dare not violate the customer's confidence," says Mahoney. Long-term sales after patents expire depend on consumer loyalty, so there's no room for overly aggressive pricing, he adds. Instead, Monsanto keeps on trying to reduce manufacturing costs and other expenses. This way, when others join the market, Monsanto is already well positioned as a low-cost provider.

That strategy will be tested in the next few years. Calan is already off patent and NutraSweet and Roundup will lose their monopolies over the next two years. But Mahoney has several new products—including an insomnia treatment drug and a crabgrass killer—already in the pipeline. –R.L. ■

years—suggesting that the U.S. trade surplus may have peaked.

Despite the industry's woes, chemical company stocks outpaced the market for most of the year, beating the S&P 500 by about three percentage points through October. Why? John Garcia, a chemicals analyst at Wertheim Schroder, notes that the sector is heavily dependent on automobiles and housing starts; investors were betting that the economy would perk up. But the group stumbled in November as wavering confidence about the recovery set in.

Still, producers remain optimistic about this year. A survey by the Chemical Manufacturers Association showed expected sales growth of 5%, with earnings up as much as 15% industrywide. Assuming, of course, there is a meaningful economic recovery. ■

Chemicals

	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/ capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Valhi	**30.9**	11.9	6.4	44.9	**35.8**	-40.0	**38.4**	-50.8	1,011	36	3.5
Sigma-Aldrich	**26.0**	20.5	17.6	12.9	**20.0**	15.2	**21.7**	10.5	566	75	13.3
Loctite	**24.6**	21.9	20.3	9.9	**18.0**	5.5	**29.6**	7.8	563	70	12.4
Nalco Chemical	**24.3**	29.3	13.1	26.1	**12.6**	12.0	**15.8**	8.8	1,310	136	10.4
Great Lakes Chemical	**24.0**	20.7	25.3	8.7	**32.3**	27.1	**40.1**	13.2	1,275	154	12.1
Ethyl	**23.4**	21.5	13.9	37.5	**13.2**	4.4	**22.9**	-1.0	2,592	225	8.7
Betz Laboratories	**22.7**	23.3	21.1	0.0	**13.7**	13.9	**13.9**	17.5	652	73	11.2
Lubrizol	**20.9**	16.8	15.2	6.4	**9.2**	8.4	**24.3**	-26.4	1,477	123	8.4
Intl Flavors & Frags	**20.1**	18.6	18.2	0.0	**13.4**	8.4	**16.9**	9.8	1,011	167	16.5
NCH	**19.7**	18.7	18.3	4.8	**12.9**	5.1	**25.6**	8.1	677	43	6.3
Sherwin-Williams	**18.6**	16.3	13.4	9.4	**3.4**	12.4	**9.4**	3.2	2,505	127	5.1
Pall	**18.6**	18.1	15.8	9.2	**14.4**	16.4	**11.6**	20.3	657	80	12.2
RPM	**17.7**	17.2	11.5	40.8	**14.8**	5.0	**14.0**	13.7	496	31	6.2
Chemed	**16.3**	31.0	24.4	13.0	**12.5**	-31.5	**-9.6**	155.1	408	50	12.4
Air Prods & Chems	**16.1**	14.7	9.6	29.6	**8.8**	1.3	**10.2**	7.2	2,931	249	8.5
Morton International	**14.5**	13.0	11.1	17.6	**13.5**	11.1	**7.7**	-3.7	1,929	139	7.2
Akzo	**13.9***	8.2	7.6	18.0	**9.4**	-8.8	**NM**	-25.1	9,316	391	4.2
Dexter	**13.7**	3.8	5.1	25.6	**7.9**	5.4	**7.8**	-68.0	932	13	1.4
IMC Fertilizer Group	**13.7†**	12.3	9.1	45.1	**6.3**	0.3	**NM**	20.1	1,124	93	8.3
Cabot	**13.6**	23.5	12.6	38.3	**3.6**	-11.4	**NM**	112.5	1,482	127	8.6
MA Hanna	**13.0**	1.7	3.4	52.3	**54.9**	-0.6	**NM**	-80.7	1,112	11	1.0
HB Fuller	**12.3**	13.4	10.9	26.0	**11.9**	7.3	**4.5**	50.3	835	27	3.2
Ferro	**12.1**	def	def	13.4	**12.4**	-3.6	**17.0**	P-D	1,073	-9	def
WR Grace	**11.3**	11.1	8.2	49.4	**9.1**	6.0	**8.0†**	-0.4	6,918	212	3.1
Witco	**10.7**	10.5	8.4	25.0	**3.4**	3.5	**NM**	108.0	1,654	65	3.9
Grow Group	**def**	def	def	59.7	**NM**	0.9	**NM**	D-D	418	-12	def
Inspiration Resource	**def**	def	def	42.9	**5.5**	-23.8	**NM**	P-D	1,063	-269	def
Intl Specialty Prods	**NA**	39.9	12.6	76.5	**13.4***	4.6	**NA**	NA	528	62	11.7
Lyondell Petrochem	**NA**	500.0+	41.0	77.0	**12.8**	9.1	**NA**	-21.2	6,364	274	4.3
NL Industries	**NA**	def	3.1	82.4	**10.4**	-5.1	**44.3**	P-D	872	-7	def
Rexene	**NA**	NE	2.7	122.4	**8.2**	-7.0	**NA**	D-D	477	-34	def
Medians	**18.6**	**15.5**	**12.1**	**30.8**	**12.7**	**4.6**	**13.9**	**-0.4**	**1,011**	**69**	**6.5**
Industry medians	**16.7**	**13.0**	**9.4**	**30.8**	**12.2**	**4.0**	**13.9**	**-11.1**	**1,200**	**67**	**4.9**
All-industry medians	**13.2**	**9.9**	**7.6**	**32.4**	**11.3**	**3.7**	**4.5**	**-5.9**	**1,436**	**40**	**2.9**

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Computers are becoming little more than commodities. Who will survive? Companies with the best software, support—and prices.

By Julie Pitta

Big computer makers found out last year that customers were no longer willing to pay a premium for proprietary products that offered little, if any, advantage over other computers on the market. These manufacturers slashed costs—but not fast enough—to adjust to shrinking profit margins.

IBM said another 20,000 jobs would go in 1992, doubling the number of positions eliminated last year. Its chairman, John Akers, began reorganizing the company into a group of smaller—and, it is hoped, more agile—business units. IBM was not alone in cutting workers. Digital Equipment has reduced its work force by about 11,000 employees since September 1989; Apple eliminated 1,000 jobs in 1991; and Compaq furloughed 1,700 people. Compaq posted a $70 million loss for the third quarter—its first ever—forcing the resignation of Joseph (Rod) Canion, its cofounder and chief executive.

Meanwhile, more nimble firms like Sun Microsystems Inc., AST Research and Dell Computer flourished in a price-sensitive marketplace. Dell had an early jump as a direct marketer of IBM/DOS-compatible PCs. Dell posted profits of $44 million on sales of $772 million over the last 12 months. But Zeos International, private Compuadd, Gateway 2000 and other aggressive firms are in pursuit

A superstar that almost died in infancy

"SIMPLICITY" is the key ingredient for efficiency. So says Raymond Noorda, 68, chairman and chief executive of Provo, Utah-based Novell Inc. When Noorda arrived in 1983, Novell engineers had been struggling to develop a hardware and software system for interlinking personal computers. But the plan was far too ambitious: Nearly all Novell's venture money was spent to design the computer system, leaving little funding for marketing. The tiny outfit almost went under.

That's where Noorda came in. A turnaround veteran who had previously put in stints at other electronics firms, Noorda moved quickly. He started by getting rid of Novell's custom-made PCs and opted instead to resell Korean-made clones.

More important, Noorda presciently decided to phase Novell completely out of hardware: "It was quite clear to me that once [PC manufacturers] standardized, they would drive each other crazy trying to bring down costs."

Novell's engineers had created a promising software program to link PCs into local-area networks. But computer resellers were reluctant to sell Novell's software without matching hardware. "We had to convince them that it was better for them to buy [hardware] from the source because they would get a better price. It was a five-year process," Noorda explains.

Noorda's patience paid off. Novell's software and hardware revenues were almost evenly split four years ago. Now software accounts for 90% of Novell's revenues. The company is unquestionably the industry leader in computer networking software. Over the last 12 months its Netware racked up $530 million in sales.

What about the competition? IBM and Microsoft, together with 3Com Corp., spent millions developing a competing product called LAN Manager, but it hasn't been a booming success.

By getting out of hardware, Noorda left Novell with only two big fixed costs: programmers and their computers. Once a new software package is created, thousands of copies of the program can be duplicated with only a nominal cost per package.

Shareholders who bought into Novell in 1985, when venture capital firm Safeguard Scientifics took it public, are eternally grateful: A $10,000 initial investment is now worth $750,000. -J.P.

NOVELL
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NOVELL

Tim Sheff/Gamma Liaison

Raymond Noorda, Novell chairman and chief executive

His future was in software, not hardware.

Computers & communications

Company	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity		Return on capital		Sales		Earnings per share				
	5-year average %	latest 12 mos %	latest 12 mos %	Debt/ capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Major systems											
Compaq Computer	41.1	10.3	9.6	3.4	53.2	0.4	63.7	-50.9	3,399	199	5.9
Dell Computer	32.5*	33.2	38.4	6.8	75.0	57.9	57.9	92.0	772	44	5.7
Apple Computer	32.2	20.6	15.9	0.0	27.4	13.5	20.3	-31.6	6,309	310	4.9
Stratus Computer	23.0	18.6	19.0	3.2	38.8	14.5	32.8	27.0	439	46	10.4
Cray Research	21.7	13.3	12.5	13.8	14.3	-9.0	4.8	-30.1	801	87	10.8
AST Research	21.0	29.1	24.4	8.2	32.6	34.9	20.0	35.7	749	70	9.3
Amdahl	18.5	6.1	5.5	3.3	22.5	-8.6	46.8	-49.0	1,957	85	4.3
Sun Microsystems	18.4	16.5	15.0	22.5	70.8	26.7	43.3	32.9	3,299	191	5.8
Hewlett-Packard	14.3	11.6	11.3	2.4	16.1	9.5	7.9	-1.3	14,494	755	5.2
Silicon Graphics	14.3	8.3	8.6	5.3	68.3	30.4	65.5	-28.8	586	33	5.6
IBM	13.7	7.6	6.4	23.4	6.8	-1.0	NM	-21.0	65,771	3,279	5.0
Intergraph	12.9	10.6	10.5	2.9	14.4	20.6	2.4	14.3	1,187	74	6.2
Tandem Computers	9.3	2.8	2.8	6.5	20.7	3.0	-9.7	-70.8	1,922	35	1.8
Everex Systems	7.1	def	def	7.7	44.7	-2.6	NM	P-D	425	-48	def
Tandon	6.7	def	def	7.6	12.2	16.2	NM	P-D	463	-19	def
SCI Systems	6.6	0.8	3.3	54.2	21.8	-8.5	-30.8	-90.3	1,079	2	0.2
Itel	6.3	def	6.3	77.4	54.6	-15.8	NM	P-D	1,728	29	1.7
Harris Corp	6.2	1.5	2.9	34.4	8.3	-1.4	-13.5	-87.3	3,007	15	0.5
Digital Equipment	4.5	def	def	1.9	12.4	9.3	NM	D-D	14,111	-615	def
Raychem	0.2	def	def	24.9	8.1	8.3	NM	D-D	1,261	-19	def
Teradyne	def	3.1	4.0	9.5	9.3	10.7	NM	D-P	499	9	1.8
Data General	def	19.8	19.9	25.0	-0.9	1.0	NM	D-P	1,229	86	7.0
Unisys	def	def	def	59.0	13.5	-9.6	NM	D-D	9,168	-1,562	def
Control Data	def	def	def	28.1	-11.3	-13.1	NM	D-D	1,552	-17	def
Wang Laboratories	def	def	def	82.9	-4.5	-19.0	NM	D-D	1,988	-398	def
Datapoint	def	NE	7.9	50.7	-4.3	-0.7	NM	D-D	265	5	2.0
Medians	8.2	4.6	6.3	8.8	15.3	2.0	-22.2	-50.0	1,407	34	3.2
Peripherals & equipment											
Conner Peripherals	47.8*	20.6	19.5	33.8	132.0†	39.8	80.8†	7.9	1,600	127	7.9
Tech Data	26.9	19.0	16.8	20.2	65.2	35.2	25.7	292.5	569	10	1.8
Quantum	26.9	21.8	24.1	0.0	48.8	70.9	NM	-3.9	1,019	58	5.7
Merisel	22.0	4.7	4.8	53.2	42.0	44.1	NM	-21.4	1,475	6	0.4
Intel	20.7	21.2	20.0	7.4	27.1	22.5	26.2†	25.3	4,619	794	17.2
AMP	19.6	14.7	13.8	2.7	13.2	4.6	21.6	-8.8	3,082	263	8.5
Micron Technology	18.7	1.0	1.9	11.6	54.0	27.6	NM	0.0	425	5	1.2
Vishay Intertech	18.5	13.3	9.9	38.1	65.4	2.2	21.0	-3.0	450	24	5.4
Thomas & Betts	17.0	14.3	12.9	14.7	14.3	-3.3	6.9	5.0	573	50	8.7
Seagate Technology	15.8	0.1	2.3	32.2	39.5	0.1	NM	-99.4	2,667	1	0.0
Marshall Industries	15.8	10.9	9.8	17.9	20.4	2.0	40.5	-17.6	574	16	2.9
Molex	15.0	12.2	11.8	1.8	18.2	16.5	14.2	-1.9	724	62	8.6
Applied Materials	14.3	8.4	8.5	28.1	37.4	12.6	NM	-24.0	639	26	4.1
Motorola	13.2	10.2	9.0	14.6	15.8	6.0	41.9	-17.3	11,236	437	3.9
Dynatech	13.2	8.3	7.1	34.1	13.0	1.4	-6.4	-18.5	477	12	2.6
Storage Technology	12.4	16.0	15.1	21.4	11.5	10.4	-13.7*	26.5	1,216	89	7.4
Texas Instruments	10.5	def	def	28.8	7.0	4.0	NM	P-D	6,791	-380	def
Wyle Laboratories	9.5	9.3	8.1	27.8	11.3	0.7	27.3*	-18.7	445	10	2.3
Avnet	7.5	7.0	6.5	19.9	4.3	-2.1	23.7	-4.3	1,715	55	3.2
Varian Associates	7.1	14.2	12.1	13.3	9.2	8.9	NM	D-P	1,378	58	4.2
3Com	6.4	def	def	0.1	35.4	-13.1	NM	P-D	379	-31	def
Analog Devices	5.2	def	def	6.8	9.3	18.9	NM	P-D	544	-13	def
Bell Industries	4.8	def	1.2	35.9	5.0	-0.3	NM	P-D	397	-1	def
Maxtor	0.5	def	def	48.9	53.4	48.6	NM	P-D	969	-74	def
Tektronix	0.1	12.0	10.1	16.0	NM	-5.6	NM	D-P	1,317	49	3.7
Arrow Electronics	def	def	5.8	53.8	16.2	-4.2	NM	P-D	933	3	0.3
Applied Magnetics	def	def	def	22.5	25.9	23.6	NM	D-D	455	-18	def
LSI Logic	def	def	def	29.2	37.7	17.7	NM	P-D	718	-38	def
M/A-Com	def	28.5	19.4	40.9	-6.8	2.0	NM	D-P	382	31	8.1
Western Digital	def	def	def	58.6	29.7	-15.6	NM	P-D	930	-174	def

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Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

and are selling even cheaper clone computers.

The recent U.S.-Japan chip agreement—in which the Japanese allow U.S. firms to sell more chips in Japan in return for the U.S.' dropping tariffs on some Japanese electronics—was supposed to have helped the sagging fortunes of U.S. chipmakers. So far it hasn't.

Intel Corp.—which once had a hammerlock on the IBM-DOS-compatible microprocessor market—was among the few U.S. chip companies to have a strong year in 1991. Intel posted profits of $794 million on revenues of $4.6 billion over the last 12 months. But even once-invincible Intel is facing a growing challenge from microprocessors made by Advanced Micro Devices, Chips & Technologies and Cyrix.

Software companies generally fared better than hardware companies. Microsoft, which still dominates the fast-growing PC software market, was hiring new programmers. But Lotus Development, facing declining profits, announced late last year that it will fire 300 to 400 workers.

Cellular telecommunications became particularly hot in 1991, with regional Bell operating companies staking out territories. Southwestern Bell, which bought cellular properties in Chicago, Boston and Washington a few years ago (before prices escalated), had a head start. ■

Computers & communications	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity				**Sales**		**Earnings per share**				
Company	**5-year average %**	**latest 12 mos %**	**Return on capital latest 12 mos %**	**Debt/ capital %**	**5-year average %**	**latest 12 mos %**	**5-year average %**	**latest 12 mos %**	**latest 12 mos $mil**	**latest 12 mos $mil**	**latest 12 mos %**
Advanced Micro	def	def	def	17.7	7.1	4.4	NM	D-D	1,126	-4	def
Atari	def	22.3	16.6	26.6	21.2	-27.1	NM	333.3	314	23	7.2
Natl Semiconductor	def	def	def	3.6	NM	-2.9	NM	D-D	1,670	-154	def
Sprague Technologies	def	def	def	13.8	-7.9	-9.3	NM	D-D	289	-45	def
Medians	10.0	8.3	7.6	20.8	17.2	4.2	NM	-18.1	827	11	2.4
Software											
Microsoft	45.8	41.8	45.8	0.0	54.2	55.9	55.3	57.6	2,055	519	25.3
Novell	38.8	35.0	36.6	0.3	71.3	26.8	61.6	77.6	593	144	24.4
Computer Associates	27.0	14.5	13.1	2.0	40.2	6.9	33.5	-4.4	1,364	160	11.8
Lotus Development	26.2	1.5	3.8	28.1	24.8	18.2	NM	-94.4	766	6	0.8
Oracle Systems	26.0	5.9	4.9	4.0	82.9	9.6	NM	-54.5	1,058	19	1.8
MAI Systems	def	def	def	79.3	10.9	-44.6	NM	P-D	362	-118	def
Medians	26.6	10.2	9.0	3.0	47.2	13.9	NM	-29.5	912	82	5.8
Telecommunications											
MCI Communications	24.9	25.5	11.9	52.1	24.1	12.0	59.7†	74.1	8,274	534	6.5
Centel	19.9	14.0	7.9	44.9	-4.0	-0.3	NM	-45.8	1,166	151	13.0
Alltel	17.7	19.1	10.9	41.4	19.8	8.7	14.0	8.0	1,694	196	11.6
Cincinnati Bell	16.9	7.8	5.9	35.3	18.1	14.9	15.1	-44.3	1,099	52	4.7
United Telecom	16.7	14.3	8.0	48.2	26.7	6.6	NM	-1.0	8,732	340	3.9
GTE	16.2	14.3	7.2	43.9	3.7	13.3	7.5*	-19.6	20,693	1,478	7.1
Corning	16.2	15.4	12.6	23.1	10.8	15.4	19.1	4.2	3,206	298	9.3
Ameritech	15.7	15.0	9.1	27.5	3.3	1.9	5.3	-2.7	10,770	1,253	11.6
Northern Telecom	14.1	14.7	13.1	23.9	10.2	16.2	5.8	13.4	7,757	495	6.4
US West	14.1	12.2	7.3	34.1	5.2	3.5	6.0	-5.2	10,206	1,180	11.6
Pacific Telesis	14.0	13.3	7.9	30.3	2.6	1.2	4.2	-7.3	9,870	1,053	10.7
Bell Atlantic	13.8	14.0	7.9	33.8	5.6	1.7	2.6	20.0	12,286	1,327	10.8
So New Eng Telecom	13.7	10.5	6.5	32.1	4.7	-0.4	4.9	-6.7	1,629	128	7.9
BellSouth	13.7	10.9	7.4	27.7	6.5	0.6	1.6	-15.5	14,401	1,480	10.3
American Tel & Tel	13.1	4.1	3.7	29.4	1.6	16.5	34.0	-78.2	42,670	585	1.4
Southwestern Bell	12.9	12.3	7.6	28.1	3.1	3.0	2.0	-1.6	9,256	1,108	12.0
Rochester Telephone	12.8	14.7	9.2	37.2	9.2	12.9	NM	31.8	664	70	10.5
Nynex	11.4	9.5	6.4	34.4	5.5	-0.7	-4.8	7.1	13,427	913	6.8
Scientific-Atlanta	10.6	def	def	0.7	2.8	-17.5	NM	P-D	493	-2	def
DSC Communications	8.7	def	def	46.9	12.4	1.8	21.2*	P-D	503	-101	def
Comsat	4.1	def	def	40.5	NM	13.2	NM	P-D	498	-9	def
McCaw Cellular	def	def	0.6	63.9	89.1	44.4	NM	P-D	1,286	-375	def
Medians	13.9	12.8	7.5	34.2	5.5	5.0	4.6	-6.0	8,016	418	7.5
Industry medians	13.2	9.4	7.4	25.0	14.3	4.5	-13.6	-19.1	1,223	40	4.0
All-industry medians	13.2	9.9	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

There could be a construction industry turnaround in 1992. Look for single-family housing to lead the way, with little improvement expected elsewhere.

By Claire Poole

After six consecutive down quarters, newly started construction contracts began inching their way back up to their mid-1990 values in the second quarter of 1991. Despite that improvement, total contracts were down an estimated 6% last year, to $228 billion.

What about 1992? George Christie, chief economist of McGraw-Hill's Construction Information Group, estimates that contracts will rise 10% this year, to $251.5 billion, and another 10% in 1993. How? Through housing. He explains: "Commercial building is about as bad as it is going to get, and it won't improve much in the near future. Publicly financed construction is as good as it can get until new programs are legislated. This means that the outlook for total construction comes down to how much the housing market can deliver."

So far, housing hasn't delivered much. Despite a slight recovery at midyear, the balance of 1991 was disappointing, with single-family starts expected to fall to less than 1 million units—the worst full year since 1982. The West has been the hardest hit, followed by the Midwest and the Northeast. But housing starts actually rose in the South.

This year looks better. Single-family starts should grow 20% in 1992, not quite as good as the typical 30% to 40% in the first year of a recovery. What's happening this time around? Most baby boomers have already bought their first house; those who would like to buy and might otherwise be lured by low mortgage rates are nervous

Construction

	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/ capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Commercial builders											
Jacobs Engineering	22.4	23.3	24.3	0.0	37.4	17.5	71.0	34.4	1,036	20	2.0
Apogee Enterprises	17.5	13.5	11.8	19.7	22.0	-1.1	15.6	-8.4	596	15	2.5
Granite Construction	16.5*	13.7	13.4	4.7	10.7	1.7	13.6	-1.7	573	20	3.5
Blount	13.5	def	1.9	41.1	-12.3	-6.7	80.3	P-D	620	-3	def
Fluor	13.4	17.8	15.7	6.4	12.3	-1.4	95.5†	14.4	7,044	156	2.2
Butler Manufacturing	11.8	def	0.3	57.1	2.0	-18.2	13.6	P-D	470	-4	def
Foster Wheeler	6.5	8.1	6.4	36.8	3.9	33.1	NM	13.5	1,955	42	2.1
CBI Industries	6.3	8.5	7.6	15.6	7.8	3.2	57.1*	-5.9	1,606	56	3.5
Perini	3.7	def	def	29.4	4.6	-3.9	NM	P-D	975	-4	def
Morrison Knudsen	def	13.4	9.2	32.4	-3.2	6.9	NM	8.3	1,867	39	2.1
Turner Corp	def	def	1.7	41.7	9.8	-17.7	NM	P-D	2,762	-4	def
Guy F Atkinson	def	def	def	3.4	-1.4	-18.3	NM	D-D	718	-22	def
Medians	9.1	8.3	7.0	24.6	6.2	-1.2	13.6	-7.1	1,006	18	2.0
Residential builders											
Kaufman & Broad Home	23.3*	6.2	7.3	40.0	30.5	-15.9	13.0	-74.3	1,278	16	1.3
Ryland Group	21.3	3.8	6.2	92.2	15.0	-12.3	7.7	-72.6	1,206	12	1.0
PHM	12.7	7.7	5.1	40.4	NM	6.0	17.9	-25.9	1,172	25	2.2
Centex	11.3	5.6	5.4	29.1	11.7	-3.6	7.1	-55.1	2,172	28	1.3
Lennar	10.1	6.9	4.0	28.1	10.4	-18.7	6.9	-1.1	322	19	5.9
Skyline	7.2	2.9	2.9	0.0	2.4	-15.9	-10.0	-51.2	313	5	1.4
MDC Holdings	def	def	4.2	63.0	5.6	-25.3	NM	D-D	420	-15	def
US Home	def	def	def	65.9	-6.4	-23.7	NM	D-D	502	-97	def
Medians	10.7	4.7	4.7	40.2	8.0	-15.9	7.0	-63.8	837	14	1.3

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Bill Nation/Sygma

Noel Watson (left) and Joseph Jacobs

Cut staff in half.

"Faster, better, cheaper"

ONE OF the most tightly run construction companies in the U.S. Pasadena, Calif.-based Jacobs Engineering Group Inc. earned $20.4 million on sales of $1 billion in fiscal 1991 (ended Sept. 30)—a 2% net margin, average for the industry. Its return on equity? A staggering 23%, the best in the industry. And there's no long-term debt. For the last two years Business Roundtable has given Jacobs subsidiaries safety awards.

But that's a far cry from the early 1980s, when Jacobs—which designs and builds refineries and other industrial facilities—was just another oilfield-dependent outfit awash in red ink as petroleum prices tanked. Stung by an $8.9 million net loss in 1984, founder Joseph Jacobs became increasingly incensed about rising overhead and a "fat and happy" management. So he came roaring back from retirement (and his second open-heart operation) at age 68, wielding a knife. With the help of Noel Watson, then an executive vice president, Jacobs let go half the staff of 2,200 (including 14 vice presidents) and cut overhead by a third. By 1985 the company was back in the black, earning $2 million. Says Jacobs: "We came out of it determined that we'd never go through this again."

Toward that end, in 1988 Watson embarked on a "faster, better, cheaper" quality-improvement program. Watson's goal: Have everyone from telephone operator to engineer "do the job right the first time." The program established minimum acceptable procedures and standards for every job, split the employees into 80 teams and set up a performance rating system. Result? Costly reworking of drawings and welding has been reduced by 80%. And Jacobs keeps better tabs on client feedback by sending out surveys every quarter throughout a job, not just at completion.

Jacobs has become less dependent on refinery work by diversifying into complex environmental and hazardous waste projects. Nonrefinery projects now make up 80% of the company's revenues.

So with things in good shape, is Jacobs, at 75, winding down? Not much. He has turned over the operating reins to heir-apparent Watson, who is now president, but doesn't plan to retire. He's thinking up new ways for the company to expand—but cautiously. "We have to balance acquisitiveness," he says, "with our capacity to handle it." –C.P. ■

about the economy and their jobs. Still, southern central states like Texas, Oklahoma and Arkansas are expected to show a gain of 33%. That bodes well for regional players Centex, Ryland and Lennar, which recently began building homes in the Dallas area. The West will be the weakest, unfortunate news for Kaufman & Broad Home and Standard Pacific.

Little improvement is expected for the rest of the construction industry. The glut of office space haunts the commercial sector. Cushman & Wakefield reported 18.5% vacancy rates in central business districts in the third quarter of last year—the third consecutive flat quarter. Expect a 5% drop in office building in 1992, a 4% drop in retail building and a flat year for the hotel and motel sector.

Public works contracts, after five fairly solid years, may show a 4% gain in 1992 if Congress approves the highway and transit bill. That would be good news to companies like Morrison Knudsen, which has a strong transportation division. The Boise-based engineering and construction firm recently snared a plum: Texas' $5.7 billion high-speed-rail contract. Institutional building, including schools, hospitals and prisons, will be all but flat again—the fifth year in a row.

The building materials sector has suffered with the rest of the construction industry. But with housing starts expected to pick up in 1992, materials should follow. The worst may be over for the entire construction industry. ■

Construction

	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity		Return on capital latest 12 mos %	Debt/ capital %	Sales		Earnings per share		latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Company	5-year average %	latest 12 mos %			5-year average %	latest 12 mos %	5-year average %	latest 12 mos %			
Cement & gypsum											
Vulcan Materials	20.7	10.9	9.4	10.0	3.3	-6.3	15.2	-36.8	1,024	74	7.2
Florida Rock Inds	16.8	1.4	2.5	17.3	11.1	-22.2	-4.1	-87.8	314	2	0.8
CalMat	15.9	5.3	4.1	9.0	NM	-18.1	15.9	-76.2	385	17	4.4
Southdown	12.6	def	0.5	31.8	15.2	-9.8	-42.6†	P-D	512	-18	def
Lafarge	11.7	def	def	37.6	12.2	1.2	31.6	P-D	1,621	-26	def
USG	10.4	NE	def	295.0	-6.3	-12.0	NM	P-D	1,748	-206	def
Ameron	9.6	5.4	4.3	39.5	8.9	5.9	3.8	-40.7	468	8	1.6
Holnam	3.8	def	1.0	46.1	16.5	-7.9	NM	D-D	991	-35	def
Dravo	def	def	def	26.8	-20.8	0.3	NM	P-D	294	-16	def
Medians	11.7	def	1.0	31.8	8.9	-7.9	-4.1	P-D	512	-16	-1.6
Other materials											
Waxman Inds	22.3	3.8	7.3	85.3	38.9	-12.9	NM	-76.2	386	1	0.4
Masco	13.8	2.2	3.5	41.1	24.3	-3.8	-4.9	-76.9	3,102	38	1.2
Ply Gem Industries	9.1	0.8	3.8	54.3	27.7	-1.4	NM	-86.4	548	1	0.1
Hughes Supply	7.2	def	0.3	46.5	12.2	-14.8	-13.5	P-D	478	-4	def
Morgan Products	6.0	def	def	38.7	4.9	-15.1	NM	D-D	358	-9	def
Noland	5.4	def	1.7	29.1	2.4	-12.0	-9.7	P-D	389	0	def
Nortek	def	def	def	55.8	10.6	-12.5	NM	D-D	935	-62	def
Robertson-Ceco	def	def	def	48.5	NM	51.0	NM	D-D	797	-48	def
MLX	def	def	def	98.5	43.6	-14.3	NM	D-D	396	-29	def
Owens-Corning	NE	NE	10.6	136.4	-2.6	-10.0	NM	P-D	2,893	-13	def
Eljer Industries	NA	def	def	56.7	8.6	-8.2	NA	P-D	410	-31	def
Manville	NA	2.5	4.7	48.1	3.7	-5.1	NM	-83.0	2,110	39	1.9
Medians	5.7	def	1.0	51.4	9.6	-11.0	NM	P-D	513	-7	-0.6
Industry medians	9.6	0.8	3.5	39.5	8.6	-8.2	-11.7	-87.8	718	1	0.1
All-industry medians	13.2	9.9	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

CONSUMER DURABLES

Detroit's crisis: too many competitors, too much capacity, too few buyers.

By Jerry Flint

These are, indeed, the times that try men's souls. Detroit's new cars are better—better looking, better driving, better quality—and they underprice the foreign competition. Detroit also slashed billions of dollars out of its cost structure. All that, in a normal world, would be the basis of prosperity. It's not. In the past 12 months General Motors, Ford and Chrysler had $7 billion in net losses and even greater auto operating losses in North America.

Why? There's simply too much competition—two dozen carmakers operating in the wide-open American market—and too few buyers. Competition alone would make it a struggle in a good market. In this market it's life-threatening. Detroit's big three sold 5 million cars in 1991. Back in 1955—36 years ago—they sold 7 million.

Don't the foreign manufacturers suffer equally? They suffer, but not equally. In their new plants built in the hill country, costs are lower and productivity higher. Those younger, nonunion workers aren't just working smarter, they're working harder. "If a job is given 57 seconds at

Consumer durables	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		**Return on capital latest 12 mos %**		**Sales**		**Earnings per share**				
Company	**5-year average %**	**latest 12 mos %**		**Debt/ capital %**	**5-year average %**	**latest 12 mos %**	**5-year average %**	**latest 12 mos %**	**latest 12 mos $mil**	**latest 12 mos $mil**	**latest 12 mos %**
Automobiles & trucks											
Ford Motor	**18.0**	def	0.5	66.9	**11.3**	-7.3	**NM**	P-D	90,495	-2,301	def
Paccar	**16.4**	2.6	4.2	35.3	**12.7**	-17.1	**13.8**	-82.9	2,416	26	1.1
Volvo	**13.3**	def	def	12.3	**5.2**	-13.6	**NM**	P-D	12,949	-175	def
Chrysler	**10.2**	def	1.8	59.6	**7.7**	-4.0	**-26.6**	D-D	28,742	-604	def
Honda Motor	**9.5**	7.2	5.9	26.9	**12.2**	17.1	**-6.2**	-10.0	31,061	528	1.7
Navistar Intl	**7.2**	def	def	53.3	**1.6**	-7.2	**NM**	D-D	3,614	-105	def
General Motors	**6.2**	def	def	56.2	**3.3**	-5.4	**NM**	D-D	119,327	-4,141	def
Nissan Motor	**4.5**	2.9	3.3	39.5	**9.4**	18.4	**24.6**	-51.7	42,304	346	0.8
Medians	**9.9**	**def**	**1.2**	**46.4**	**8.6**	**-6.3**	**NM**	**P-D**	**29,902**	**-140**	**-1.7**
Automotive parts											
Bandag	**42.5**	32.5	29.2	2.2	**12.4**	2.6	**18.5**	3.4	584	77	13.2
Danaher	**28.4**	4.3	5.2	40.2	**21.7**	7.1	**49.2**	-80.7	840	14	1.7
TBC	**25.0**	22.3	22.3	0.0	**5.6**	-2.9	**52.8**	8.6	491	17	3.5
Genuine Parts	**21.9**	19.7	18.9	1.6	**8.4**	2.9	**13.8**	0.8	3,385	204	6.0
Snap-on Tools	**20.7**	11.5	11.3	1.0	**9.7**	-4.3	**12.9**	-31.4	888	74	8.3
PPG Industries	**20.2**	9.8	7.5	23.9	**6.8**	-3.3	**15.3**	-41.6	5,748	271	4.7
Cooper Tire & Rubber	**19.8**	19.8	15.4	13.5	**12.2**	7.7	**30.4**	12.0	960	73	7.6
Eaton	**17.2**	6.0	5.3	34.6	**NM**	-6.9	**8.5**	-58.3	3,391	77	2.3
TRW	**16.2**	6.9	5.5	32.9	**6.6**	-2.1	**NM**	-42.4	7,857	133	1.7
Modine Manufacturing	**16.2**	14.7	11.3	27.1	**8.7**	12.1	**8.7**	10.9	508	30	6.0
Allied-Signal	**14.9**	def	def	37.7	**4.7**	-2.3	**NM**	P-D	11,970	-281	def
SPX	**13.3**	def	def	34.3	**NM**	-3.9	**NM**	P-D	669	-18	def
Barnes Group	**12.6**	11.2	9.0	33.3	**5.0**	-0.9	**5.1**	41.8	537	16	3.1
Dana	**12.1**	1.5	4.5	49.3	**8.4**	-9.8	**NM**	-83.2	4,694	16	0.3
Varity	**11.8**	def	2.2	57.4	**21.9**	-9.3	**NM**	P-D	3,150	-44	def
Goodyear	**11.4**	def	3.4	52.9	**4.2**	-2.3	**NM**	D-D	10,937	-13	def
Carlisle Cos	**11.4**	def	def	24.8	**5.4**	2.3	**5.0**	P-D	615	-8	def
Johnson Controls	**9.4**	7.8	7.0	19.7	**13.6**	1.2	**NM**	2.8	4,559	95	2.1
Masco Industries	**9.1**	def	2.2	77.5	**23.9**	-8.1	**NM**	0.0	1,447	-45	def
Standard Motor Prods	**7.8**	5.3	5.9	26.4	**15.4**	6.0	**-8.5**	17.5	530	9	1.7
Echlin	**7.5**	6.3	5.8	26.8	**13.3**	5.3	**-6.6**	-11.8	1,686	42	2.5
Federal-Mogul	**7.1**	def	1.4	50.1	**5.0**	14.2	**NM**	P-D	1,249	-3	def
Arvin Industries	**6.2**	4.3	5.4	38.5	**14.9**	0.2	**-17.8**	-12.0	1,670	26	1.5
AO Smith	**6.0**	2.5	4.3	36.1	**1.3**	-8.5	**NM**	-11.1	864	9	1.1
Douglas & Lomason	**2.4**	7.8	5.8	50.5	**10.6**	-13.5	**NM**	20.4	369	4	1.0

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Toyota, it takes 57 seconds to do. In Detroit, if they give you 57 seconds, it really takes only 47, 48, 49 seconds to do," says a manager at Toyota's Kentucky car plant—an ex-Detroit manager. In other words, Toyota's employees work at least 15% faster than Detroit's.

The transplants' younger workers also mean lower medical and pension costs. But in this changing world economy, FORBES sees some of these "foreign" companies really as American manufacturers, and lists them in our tables. And why not? They assembled 1.4 million vehicles in the U.S. last year, have set up design studios in southern California, engineering shops outside Detroit and test tracks in Ohio and Arizona. Yes, sometimes it is a paradox. We call them foreigners at the same time that we call them

Honda: the most efficient "American" carmaker

IS IT FAIR to call a Tokyo-based company American? Well, 14,300 Americans work here for Honda, and half of Honda's annual $35 billion in sales comes from the U.S. Only a third comes from Japan. In Ohio, Honda assembles 450,000 cars a year.

When it comes to efficiency, few, if any, rivals match Honda. But efficiency is more than 450,000 cars divided by 10,000 workers. Efficiency means understanding what the customer wants, getting the most out of employees and making great product. Honda's Accord is America's best-selling car. Honda is always in the top ranks of consumer satisfaction surveys. The old Packard slogan, "Ask the man who owns one," could justifiably be taken up by Honda.

Honda executives get to the top because they've done something. Tadashi Kume, the former president, led the team that developed Honda's famous CVCC engine and the original Accord. Nobuhiko Kawamoto, today's president, was on that CVCC team and led the design group that built Honda's world championship Formula 1 racers.

Honda's Nobuhiko Kawamoto

Give me the Three Joys.

Detroit, too, has been led by engineers, designers and tinkerers like Henry Ford, GM's Ed Cole and Lee Iacocca. For a couple of decades, though, Detroit's managers seemed to rise because they got their M.B.A.s, kept their noses clean and didn't take a chance. Fortunately, those days seem over.

Will Honda falter in the 1990s as agile competitors give it the Japanese treatment—imitating and underpricing? Profits, $541 million last fiscal year (Mar. 31), are below their mid-1980s peak. Even more important, the pool of cheap money in Japan that fueled Honda's enormous technological charge is now dry.

But then there's "the Honda way," a seeming blend of Japanese and American cultures—Japanese-type talk, American-type action—that provides Honda's road map. President Kawamoto talks about the company's core philosophy, the Three Joys. "The joy to buy our products, sell our products and produce our products." Is this just Japanese corn? "Philosophy without action is worthless," says Kawamoto. Take the new Civic hatchback—a $10,000 automobile that the automotive press has compared favorably with much more expensive cars.

Despite all this, is FORBES premature to call Honda the most efficient American automaker? Maybe we are. But we think in terms of a global economy. Germans consider Opel a German company, not a Detroit-run GM subsidiary. Opel is as German as wurst. The day could come when Honda is considered as American as, well, baseball and apple pie. —J.F. ■

American. Indeed, FORBES considers Honda the most efficient of the American carmakers.

The auto industry isn't alone in its woes. The entire consumer durables group—appliances, home furnishings, recreation equipment—is hurting. An exception: Rubbermaid continues to report impressive sales and profit gains and a 20% return on equity. What does it sell? Plastic: plastic trash cans, plastic toys, plastic lunchboxes.

But most consumer durables manufacturers, like the car companies, await the upturn. The projected recovery is now pushed forward to spring 1992. If it doesn't come, something will have to give. Capacity will be cut again, particularly at GM. Chrysler's chances for survival will narrow. A worried Washington will look harder at imports.

When the recovery does come, the payoff resulting from improved product and cost-cutting will show immediately in profits. To borrow again from Tom Paine, the harder the conflict, the more glorious the triumph. ▬

Consumer durables	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Standard Products	1.6	def	def	50.2	7.9	2.0	NM	P-D	605	-43	def
Allen Group	0.2	def	1.4	37.6	-3.2	-25.8	NM	P-D	271	-3	def
Cummins Engine	def	def	def	31.9	11.6	0.6	NM	D-D	3,439	-188	def
Fruehauf Trailer	NA	0.8	2.9	87.6	-10.8*	-21.9	NA	NA	511	1	0.1
Medians	12.0	4.3	5.3	34.3	8.4	-2.1	NM	-36.5	960	14	1.5
Appliances											
Maytag	21.4	6.7	6.2	40.9	13.9	-5.1	-6.2	-42.9	2,970	71	2.4
Toro	14.3	5.5	6.2	46.1	11.9	-6.0	-6.4	-8.3	699	9	1.3
Whirlpool	9.9	5.3	5.6	37.3	14.1	1.6	-13.3	-56.9	6,683	76	1.1
Pittway	9.4	5.5	5.3	12.2	10.9	4.9	-6.5	-21.7	972	22	2.2
Sony	8.1	7.7	7.1	30.9	31.1	27.9	12.4	15.0	26,324	830	3.2
Black & Decker	7.9	3.0	6.4	71.8	22.2	9.8	NM	-67.4	4,622	28	0.6
Harman International	6.7	def	def	61.6	20.2	3.7	NM	P-D	591	-22	def
Philips Electronics	def	def	def	51.5	7.6	-1.2	NM	P-D	31,457	-2,845	def
Emerson Radio	def	def	def	82.8	6.1	-1.4	NM	D-D	801	-83	def
Zenith Electronics	def	def	def	33.1	NM	-11.9	NM	D-D	1,300	-78	def
Medians	8.0	4.2	5.5	43.5	12.9	0.2	NM	-62.2	2,135	16	0.9
Home furnishings											
Rubbermaid	22.6	20.4	19.0	3.3	18.3	12.1	17.9	12.0	1,639	157	9.6
Newell Co	20.4	20.7	18.3	12.5	29.3	0.1	29.8	2.4	1,080	107	9.9
Armstrong World Inds	15.8	4.7	5.3	18.2	8.9	-3.2	9.1	-68.6	2,467	65	2.6
Leggett & Platt	15.7	7.5	6.1	34.8	18.4	1.1	NM	-50.4	1,085	23	2.1
LADD Furniture	15.4	def	def	48.4	15.2	-16.7	NM	P-D	440	-9	def
Kimball International	14.8	10.4	9.6	1.4	7.7	-9.0	5.4	-29.9	549	30	5.4
La-Z-Boy Chair	13.9	11.3	9.6	20.7	12.2	1.2	2.1	-0.7	613	26	4.2
Oneida	12.0	6.4	5.7	37.3	12.4	4.4	-19.0†	-29.5	431	7	1.6
Premark Intl	10.6*	10.7	8.5	34.5	9.3	5.2	-10.9†	104.7	2,795	83	3.0
Springs Industries	6.9	4.6	5.0	33.1	11.8	-0.7	NM	500.0+	1,870	26	1.4
Bassett Furniture Ind	5.7	6.4	6.2	0.0	1.6	-11.7	-20.2	88.8	396	15	3.9
Interco	3.0	NE	3.6	238.4	-12.5	-4.4	NM	D-D	1,419	-129	def
Fieldcrest Cannon	def	def	0.2	60.5	13.4	-5.8	NM	D-D	1,207	-25	def
Medians	13.9	6.4	6.1	33.1	12.2	-0.7	-19.0	-29.5	1,085	26	2.6
Recreation equipment											
Harley-Davidson	35.6	16.1	14.7	17.8	27.7	2.6	49.4	-30.1	896	33	3.7
Huffy	14.6	15.8	10.7	40.4	14.1	28.2	27.3	-6.4	639	17	2.7
Fleetwood Enterprises	13.1	7.8	8.0	0.0	4.3	-4.3	NM	-22.1	1,452	34	2.4
Brunswick	10.0	def	def	16.6	11.9	-18.6	NM	P-D	2,099	-27	def
Outboard Marine	def	def	def	20.6	NM	-14.1	NM	D-D	984	-86	def
Coachmen Industries	def	def	def	12.7	-4.3	-20.5	NM	D-D	227	-15	def
Winnebago Industries	def	def	def	4.2	-8.6	-33.6	NM	D-D	223	-29	def
Medians	10.0	def	def	16.6	4.3	-14.1	NM	P-D	896	-15	-1.3
Industry medians	11.0	4.3	5.3	34.5	9.4	-2.3	NM	-51.1	1,300	15	1.1
All-industry medians	13.2	9.9	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

CONSUMER NONDURABLES

Americans weren't buying new houses, automobiles or washing machines, but they did shop for bargains in clothing and other home products.

By Amy Feldman

While many 1991 household budgets didn't have the funds for a new automobile, that didn't stop people from treating themselves to things like fancy razors. "Consumers will continue to pay a premium for certain personal products," says Merrill Lynch analyst Deepak Raj. Gillette Co., for example, garnered some 15% of the U.S. market for its Sensor razors and blades, compared with 9% the prior year, despite charging a 25% premium over its older Atra model. Tambrands Inc. was able to raise prices 14% on its Tampax tampons in 1991 without losing brand loyalty or its estimated 55% market share; rival Playtex, which historically sells at a 25%-plus premium to Tampax, should return to that level with an increase of its own in early 1992.

The picture is different for companies that produce commodity goods like toilet paper, garbage bags or detergents. They're losing once loyal customers to the lower-priced products of private-label manufacturers. Paper producers like James River Corp., maker of Northern bathroom tissue and Brawny paper towels, cut prices this year; that company earned a mere $71 million on revenues of $3.5 billion in the nine months to Sept. 29, 1991. Both Kimberly-Clark Corp. and Procter & Gamble Co. lost market share in the diaper business earlier in the year and have been heavily promoting their new diapers.

The apparel downturn began in mid-1989 and bot-

Consumer nondurables	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		Return on capital		Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	latest 12 mos %	Debt/capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Personal products											
First Brands	37.7*	20.5	12.5	55.5	6.7*	-8.3	NM	-9.0	1,008	44	4.3
Gillette	33.5	43.9	22.5	37.6	12.1	10.3	19.6	29.4	4,584	420	9.2
Stanhome	28.6	21.4	22.1	0.5	15.2	8.5	24.2	-6.1	707	47	6.6
Johnson & Johnson	27.7	28.4	23.2	17.3	11.8	10.9	23.9	27.5	12,093	1,419	11.7
Tambrands	23.4	37.7	35.3	0.9	7.8	3.7	10.4	318.5	638	93	14.6
Colgate-Palmolive	22.6	5.7	5.7	29.2	2.9	8.5	29.6	-68.9	5,964	111	1.9
Kimberly-Clark	21.2	21.3	14.3	22.5	9.7	7.6	15.5	11.7	6,696	481	7.2
Gibson Greetings	19.8	14.3	13.7	19.7	10.3	5.2	11.8	-4.4	530	38	7.2
Procter & Gamble	19.2	19.6	14.7	18.7	11.9	10.2	29.8	8.9	27,579	1,754	6.4
Avon Products	18.4	27.0	20.0	45.7	6.4	6.8	NM	125.3	3,590	131	3.7
Alberto-Culver	18.2	13.1	11.4	17.3	15.2	9.8	25.4	-18.5	874	30	3.5
Carter-Wallace	16.1	11.8	11.6	4.0	8.9	12.5	14.0	-12.9	669	45	6.8
Scott Paper	15.6	1.7	3.8	47.7	12.5	-2.1	NM	-87.2	5,096	36	0.7
Block Drug	15.4	14.1	13.5	4.5	13.0	16.6	13.1	14.9	544	56	10.3
Clorox	15.0	7.2	7.0	32.4	8.9	9.3	NM	-60.7	1,661	57	3.5
Church & Dwight	14.8	21.3	15.8	13.5	12.7	14.2	22.3	64.5	469	25	5.3
Helene Curtis Inds	10.0	7.4	6.1	43.3	20.3	24.0	-24.2	28.1	952	11	1.1
James River Corp Va	8.0	4.6	5.1	35.1	14.2	-16.2	-11.3	169.4	4,701	133	2.8
Dial	6.8	11.1	8.1	65.3	3.5	1.9	-23.7	500.0+	3,585	119	3.3
Service Corp Intl	5.5	15.5	8.5	50.8	10.8	9.3	NM	D-P	607	68	11.3
Duracell Intl	2.7†	11.2	10.9	53.5	12.0	13.2	NA	500.0+	1,559	76	4.9
Medians	**18.2**	**14.3**	**12.5**	**29.2**	**11.8**	**9.3**	**12.4**	**14.9**	**1,559**	**68**	**5.3**
Apparel & shoes											
LA Gear	61.3	def	def	0.0	136.2	-17.3	106.1	P-D	727	-35	def
Liz Claiborne	36.7	31.0	30.1	0.2	23.7	18.8	25.2	19.3	1,945	222	11.4
NIKE	36.2	32.8	31.7	4.5	26.8	26.4	50.1	12.7	3,117	302	9.7
Phillips-Van Heusen	32.7	17.5	13.7	49.6	9.6	15.1	10.8	22.0	890	28	3.1
Reebok International	31.9	24.8	21.2	29.4	41.1	28.7	20.2	44.0	2,637	224	8.5

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Lean and debt-free

Liz Claiborne Chairman Jerome Chazen

A Depression baby, he's always hated debt.

FEW CLOTHING companies have escaped unscathed from the retailing downturn. But $2 billion (estimated 1991 sales) Liz Claiborne, Inc. has weathered the storm better than most.

At the end of the third quarter the company had $358 million in cash on hand and a 0.2% debt-to-capital ratio (compared with an industry median of 31.9%). Annual sales growth has averaged 24% during the past five years, earnings growth 25%.

Credit Chairman Jerome Chazen, 64, who grew up in New York City during the Depression and has a deep-seated aversion to debt. Chazen runs a lean shop as a result. Unlike competitors V.F. Corp. and Russell Corp., Liz Claiborne contracts out all of its manufacturing to some 300 factories in 36 countries. It has only 6,000 employees in the U.S. and 1,200 in its overseas offices.

This gives Chazen the flexibility to shift production from Hong Kong, where wages have been rising, to Indonesia or Sri Lanka. One way the company keeps in touch with its vast sprawl of manufacturers is through a video system linking its New York City head office, its New Jersey production headquarters and its three Far East offices.

Claiborne executives can view manufacturers' samples on the tube without a long wait for shipping or the expense of air freight. "Efficiency is a funny word," says Chazen, "but if we do a good job of planning, we can save an enormous amount of money."

Chazen, whose background includes 16 years as a buyer and merchandiser of women's clothes, also has a good feel for what the typical department store customer wants. Recently introduced: Elisabeth, Liz Claiborne's line for larger women, sizes 14 to 22. Sales are expected to reach $100 million in 1991, up from $11 million during the 1989 introduction year.

Other fast-growing introductions include Liz & Co. knitwear, whose sales rose from $8 million in 1989 to an estimated $80 million in 1991.

Because of the recession, Claiborne deliberately held back sportswear production growth last year by about 5% to avoid inventory buildup. Result: In a business where the percentage of clothes sold at full price averages around 40%, Liz Claiborne's was 55%.

Chazen expects that new product development will slow in 1992 as Liz Claiborne works to expand its newer lines in accessories and women's clothes and to revamp the less successful men's line to appeal to a younger consumer. An attempt to rush things or to stretch the lean staff beyond its capacity, even during an upturn, says Chazen, would be inefficient. Says Prudential Securities analyst Deborah Bronston, "Liz always errs on the side of being conservative." –A.F. ■

tomed out in early 1991. In 1990 inventories were being worked down, but for most clothing companies discounting has decreased margins. The industry is busy installing computer systems and reworking old manufacturing processes. For example, V.F. Corp., maker of Lee and Wrangler jeans, in 1990 began switching from the standard assembly line to a modular manufacturing system. The new system gives workers greater flexibility and has reduced stockpiles of unfinished goods.

Textilemakers also felt the pressure to become more efficient. Fieldcrest Cannon Inc., maker of towels and sheets, laid off 1,600 workers, consolidated the sluggish rug-and-carpet division and closed its unprofitable electric-blanket business. Even Shaw Industries Inc., the country's largest carpetmaker and the industry's lowest-cost producer, has been hurt by lower demand for residential carpets. In fiscal 1991 (ended June 29), its earnings fell 50%, to $33 million from $65 million the previous year, despite a 7% increase in sales to $1.6 billion from $1.5 billion. But Robinson-Humphrey textile analyst Lorraine Miller expects the company to rebound this year, with projected profits of $66 million on sales of $1.7 billion.

What about 1992? The Conference Board, based in New York, predicts a turnaround will begin in the third quarter: Its forecast shows that, net of inflation, spending on consumer nondurables will rise slowly in the first half and accelerate to annualized growth of 3.4% in the fourth quarter.

Consumer nondurables	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Stride Rite	29.0	34.5	32.0	2.1	14.2	11.0	43.0	22.3	561	63	11.3
Gitano Group	27.3*	def	def	38.6	25.5	-5.7	NM	P-D	755	-15	def
Fruit of the Loom	22.9	18.3	9.6	56.5	20.9	4.5	23.8†	-17.3	1,514	83	5.5
Melville	22.0	16.1	16.3	3.0	12.8	20.0	14.4	-8.3	9,728	348	3.6
Leslie Fay Cos	18.1	16.9	12.8	28.1	12.3	4.4	13.8	12.0	866	32	3.7
Russell	18.0	10.8	8.3	26.0	13.9	2.6	16.3	-27.8	742	50	6.8
VF	15.7	11.4	9.2	38.6	13.1	7.8	-4.9	-22.4	2,790	103	3.7
Kellwood	11.9	9.3	8.2	34.3	10.2	10.6	-13.2	338.9	856	19	2.2
Crystal Brands	9.0	def	0.8	55.7	21.0	-1.4	52.2	P-D	844	-16	def
Instrument Systems	7.2	22.2	12.4	50.8	13.7	7.8	NM	59.4	494	15	3.1
Oxford Industries	5.3	6.9	6.2	20.5	-0.9	-6.7	NM	39.3	498	7	1.4
Salant	def	NE	def	121.2	33.3	-10.9	NM	D-D	384	-24	def
Warnaco Group	NE	NE	1.7	124.6	6.5*	NA	NM	NA	560	-30	def
Medians	20.1	13.7	9.4	31.9	14.0	7.8	14.1	12.0	850	30	3.4
Textiles											
Delta Woodside Inds	27.1	21.6	15.3	27.9	25.1	23.7	NM	500.0+	632	32	5.0
Shaw Industries	24.6	15.1	9.3	60.7	25.1	3.8	17.2	-43.8	1,624	32	2.0
Unifi	24.5	18.5	NA	4.6	12.6	NA	34.5	NA	991	43	4.4
Salem Carpet Mills	9.9	def	0.1	44.5	9.9	-12.1	-11.2	P-D	401	-5	def
Dixie Yarns	9.4	def	1.9	34.3	18.3	-10.0	-13.6	P-D	504	-1	def
Guilford Mills	7.1	8.8	7.1	28.0	3.8	4.0	-4.1	D-P	553	15	2.8
DWG	def	def	3.7	68.4	2.4	-0.4	NM	D-D	1,221	-18	def
Medians	9.9	8.8	5.4	34.3	12.6	1.7	-11.2	-43.8	632	15	2.0
Photography & toys											
Mattel	24.1	30.3	20.6	33.9	6.2	9.6	NM	5.2	1,536	103	6.7
Tyco Toys	19.6*	1.9	3.3	54.1	52.2	5.4	NM	-87.8	483	2	0.4
Eastman Kodak	13.1	11.0	7.0	46.6	13.8	4.5	16.6	136.1	19,488	743	3.8
Hasbro	11.6	7.3	8.8	38.8	3.5	29.7	NM	-23.3	1,873	65	3.5
Polaroid	10.7	85.8	63.4	23.5	7.8	6.3	21.7	500.0+	2,033	680	33.5
Fuqua Industries	10.3	def	def	32.3	4.7	-3.2	NM	P-D	919	-39	def
Fisher-Price	NA	NA	def	30.3	NM	1.2	NA	NA	636	-16	def
Medians	12.4	9.2	7.0	33.9	6.2	5.4	NM	-9.0	1,536	65	3.5
Industry medians	18.0	13.6	9.4	32.4	12.3	7.6	10.8	10.3	919	45	3.7
All-industry medians	13.2	9.9	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Electric utilities face likely capacity shortages, no-growth environmentalists and tough competition from independent producers.

By Manjeet Kripalani

The utility industry faces three big challenges: (1) meet the stringent requirements of the Clean Air Act of 1990; (2) plan for the new capacity needed by the end of the decade; (3) remain profitable while accomplishing (1) and (2).

For a few utilities—Potomac Electric, Northern States Power, Kansas City Power & Light, for example—complying with the latest environmental legislation may require simply switching from high- to low-sulfur coal. For others, the issue is more complex. Should they spend several hundred million dollars for new coal scrubbers? Retrofit plants to run on cleaner-burning natural gas? Buy more electricity from independent power producers?

Despite the recession, demand for electricity increased

Electric utilities	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Northeast											
Potomac Electric	15.2	12.8	6.3	48.6	1.2	8.6	NM	2.2	1,520	202	13.3
General Public Utils	14.2	12.4	7.4	34.7	1.2	8.4	18.6	-3.1	3,226	273	8.5
Pennsylvania P&L	14.0	13.8	7.4	38.7	3.6	3.8	8.5	-4.3	2,527	350	13.9
Pub Svc Enterprise	13.3	12.7	7.4	39.6	1.9	2.9	5.2	4.4	5,037	572	11.4
Orange & Rockland	13.3	14.5	8.4	42.2	2.2	3.0	1.8	15.0	577	52	9.1
Allegheny Power	13.3	12.0	7.4	41.1	6.1	-1.6	NM	1.4	2,272	196	8.6
Consolidated Edison	13.1	12.4	8.1	36.0	1.2	2.7	3.0	7.9	5,898	596	10.1
Atlantic Energy	13.1	11.3	7.0	33.4	4.9	5.3	4.1	-6.6	763	77	10.1
New England Electric	12.8	12.3	6.3	41.7	5.0	9.9	NM	-39.3	1,992	170	8.5
Baltimore G&E	12.1	8.7	5.8	37.8	3.9	11.2	-7.6	-3.1	2,367	223	9.4
Northeast Utilities	11.8	12.5	7.0	45.8	6.4	2.9	-3.9	1.5	2,688	225	8.4
Central Maine Power	11.5	11.5	7.5	42.3	8.5	7.9	2.5	1.7	820	59	7.2
NY State E&G	11.4	11.0	6.2	39.5	3.8	2.8	NM	-5.9	1,528	168	11.0
Commonwealth Energy	10.7	8.7	5.4	44.3	5.2	2.4	-9.7	-16.7	851	28	3.3
Delmarva Power & Lt	10.4	4.5	4.1	38.5	2.8	1.7	-15.2	-65.7	832	37	4.5
Rochester G&E	10.2	9.4	6.6	44.7	2.8	0.1	NM	-4.9	844	61	7.3
American Water Works	10.0	11.6	7.6	49.7	5.4	12.2	NM	54.8	623	77	12.4
Central Hudson G&E	9.7	10.6	7.3	43.5	NM	1.6	NM	-0.8	503	42	8.4
Philadelphia Elec	8.7	11.4	7.4	48.4	3.9	8.2	NM	297.9	3,926	484	12.3
Boston Edison	6.6	11.1	6.2	45.6	1.9	6.1	-11.0	D-P	1,315	92	7.0
Long Island Lighting	5.1	12.1	7.9	57.8	4.3	2.4	-7.8	33.3	2,510	317	12.6
Niagara Mohawk Power	4.6	3.2	4.6	49.4	3.2	6.7	-35.4	-59.3	3,315	103	3.1
United Illuminating	3.1	13.4	5.5	48.9	3.2	10.7	NM	15.5	642	55	8.6
Medians	**11.5**	**11.6**	**7.0**	**42.3**	3.6	**3.8**	-11.0	**1.4**	**1,528**	**168**	**8.6**
North central											
PSI Resources	36.6	17.5	9.2	39.4	NM	1.6	6.3	-2.8	1,032	112	10.9
Cincinnati G&E	17.3	14.7	8.2	41.9	0.7	2.9	7.7	-5.0	1,505	238	15.8
IES Industries	15.4*	8.6	5.4	39.7	1.5*	3.2	15.9*	-54.3	609	40	6.5
DPL	15.0	12.6	8.9	45.3	-0.5	4.0	20.9	-10.6	1,004	135	13.4
Wisconsin Energy	14.9	13.5	8.2	32.4	0.9	3.6	4.1	0.0	1,509	187	12.4
Union Electric	14.9	15.3	8.5	35.0	4.6	2.4	22.7	0.0	2,102	323	15.4
Ipalco Enterprises	14.8	13.5	8.0	31.6	5.4	4.6	NM	0.8	638	99	15.6
Minnesota Power & Lt	14.5	10.0	6.5	35.4	3.7	1.7	NM	-9.9	483	70	14.6
WPL Holdings	13.8	15.8	7.6	30.8	1.5	4.8	NM	-9.7	640	60	9.3
No States Power	13.5	13.1	7.1	30.1	3.4	38.3	NM	35.3	2,166	220	10.2
American Electric	13.5	11.8	6.8	41.9	1.5	-4.3	3.1	-10.4	5,045	493	9.8
Iowa-Illinois G&E	13.2	12.4	6.0	40.4	-2.7	-1.7	NM	7.9	490	58	11.9
Wisconsin Public Svc	13.0	12.9	7.4	33.4	-1.1	7.1	-1.5	8.5	617	53	8.6
Detroit Edison	12.6	19.8	8.9	48.1	3.7	4.4	4.8	11.9	3,443	543	15.8
CILcorp	12.5	11.5	5.7	30.8	NM	12.5	NM	4.2	578	37	6.4

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

about 2% in 1991. Capacity is adequate now, but more capacity will be needed by the turn of the century—and now is the time to start the building process.

What should fuel the new plants? Given concerns for the greenhouse effect, nuclear power, which currently provides 21% of the country's energy through its 112 operating plants, makes more sense than ever (FORBES, *June 11, 1990*). But the more radical enviros are well organized to block new nuclear plants; ground for the last new atomic facility in the U.S., Texas Utilities' Comanche Peak plant, was broken over a decade ago. Unless the political environment changes, new plants will probably be powered by natural gas or fluidized bed coal units. With bed coal units, pollutants come out the bottom in solid form, rather than being emitted from a stack into the sky.

Utilities also face a major challenge from independent power producers, small operators that typically sell from 5 megawatts to 200 megawatts to larger industrial companies. Independents don't have to worry about line maintenance or reading customer meters, and, most important, they escape many regulations. Most can produce power at a cheaper price than big utilities can. In 1990 these independents provided 6% of the country's power, but by the year 2000 they could contribute 12%.

The electric industry could soon face the same type of competition that hit the long-distance telephone carriers during the last decade, when independents such as MCI and Sprint were able to sell service carried on AT&T's lines (FORBES, *Dec. 23, 1991*). Mary Kenkel, of the Edison Electric Institute, worries that as the independent power

Poised for a nuclear comeback

FOR THE LAST nine years Duke Power Co.—the country's seventh-largest investor-owned utility—has been run by Chairman William Lee, now 62. Lee has electricity in his veins: His grandfather was the engineering brain behind Duke, which was founded in 1905.

Grandpa would be proud of the profitability record Lee has compiled. Sixty percent of the Charlotte, N.C.-based company's energy comes from nuclear power, the rest from coal and hydroelectric. The nuclear plants operate for more hours and at a higher capacity than the industry average—an 81% capacity factor, versus an industry average of 70%. Based on 1990 figures, Duke sells its power for 5.3 cents per kilowatt-hour, about 20% less than the national average charge, and still makes good money. Duke's five-year earnings growth of 4% is twice that of the Southeast utility stocks tracked by FORBES.

Duke is one of the few utilities that still engineer and build their own generating plants. When Duke built its Catawba nuclear plant in the mid-1980s, it spent $1,700 per kilowatt of generating capacity, about half what other utilities spent on nuclear plants at the time.

As Duke's nuclear construction tailed off, the company formed a subsidiary, Duke Engineering & Services, to contract out its team of engineers to design and manage construction projects for other utilities. At the moment, the company's 200 engineers have three large outside contracts.

Lee sees another benefit to retaining Duke's construction expertise. He believes that when the nuclear option becomes viable again—he hopes this will happen by the mid-1990s—Duke will have a reservoir of in-house engineering talent.

As befits any manager who takes intelligent risks, Lee's record is not perfect. Like a number of utilities, Duke diversified into nonregulated businesses in the 1980s. The company lost an estimated $30 million, for example, running a coal mine, and sold its interest in a theme park. Uncooperative regulators, too, have been a problem: In November 1991 the Public Service Commissions of North and South Carolina gave Duke only 40% of a requested rate hike.

To Lee, that is a reminder that Duke can never be too efficient. "If you think you're getting good," he says, "remember that laurels wilt fastest when sat upon." —M.K.

Donna Bise/Gamma Liaison

Duke Chairman William Lee

He has electricity in his veins.

producers grow, they could start selling their power directly to utilities' retail customers, without compensating the utilities for use of their transmission lines.

Several utilities have come up with a strategy for dealing with the independents: Invest in them. For example, the country's fastest-growing independent, U.S. Generating Inc., is jointly owned by construction giant Bechtel Corp. and Pacific Gas & Electric Co.

In 1991 high dividend yields helped utilities outperform the broad market handsomely. Companies with fairly secure dividends include American Electric, New York State Electric & Gas and Texas Utilities. ■

Electric utilities	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Midwest Resources	12.1	10.4	5.9	39.8	3.1	4.9	NM	-5.8	960	65	6.8
Cipsco	11.7	12.2	6.5	31.4	-2.4	6.4	NM	8.0	647	73	11.3
Kansas City P&L	11.3	12.3	6.5	33.8	4.5	3.2	1.3†	0.9	786	111	14.1
Ohio Edison	11.1	8.5	6.2	47.0	5.9	6.4	-8.1	-28.3	2,341	240	10.3
DQE	11.1	12.4	6.8	45.8	5.7	3.9	NM	11.7	1,183	134	11.3
Nipsco Industries	8.7	13.0	6.9	35.9	-3.4	-1.2	39.7†	87.3	1,530	144	9.4
Kansas Gas & Elec	8.6	10.6	5.7	42.6	6.0	-1.5	NM	6.6	578	66	11.4
Centerior Energy	7.7	8.6	5.9	39.8	5.4	5.5	-11.7	11.5	2,472	242	9.8
Commonwealth Ed	7.4	8.4	6.8	46.8	1.2	16.4	-12.6	D-P	6,122	610	10.0
CMS Energy	1.0	def	def	56.8	-1.7	2.9	NM	P-D	3,075	-751	def
Illinois Power	def	def	1.4	44.0	3.7	3.0	NM	P-D	1,400	-58	def
Medians	**12.8**	**12.3**	**6.8**	**39.8**	**1.5**	**3.8**	**-12.1**	**0.4**	**1,108**	**112**	**10.6**
Southeast											
Scana	16.0	13.3	7.3	39.3	0.4	0.2	6.5	-28.3	1,143	133	11.6
TECO Energy	15.5	15.2	7.9	33.8	4.7	5.7	7.7	3.8	1,141	142	12.4
Kentucky Utilities	14.7	14.9	10.4	38.2	NM	5.8	8.3	2.4	585	86	14.6
Florida Progress	13.9	12.5	6.8	32.1	4.0	2.9	-1.6	9.6	2,055	182	8.8
Duke Power	13.8	13.3	7.9	33.1	4.0	0.2	5.5	-3.8	3,727	564	15.1
Dominion Resources	13.5	12.3	7.7	42.5	5.6	1.8	2.9	-11.7	3,704	448	12.1
LG&E Energy	12.4	12.7	6.3	37.2	0.8	2.3	1.4	28.3	714	83	11.6
Carolina Power & Lt	11.4	13.0	7.3	39.6	6.4	3.7	NM	18.8	2,693	345	12.8
Southern Co	11.2	11.3	7.8	46.3	3.2	1.4	-7.5	23.4	8,013	767	9.6
FPL Group	5.2	7.0	5.0	38.7	9.4	-13.7	NM	D-P	5,330	240	4.5
Medians	**13.6**	**12.9**	**7.5**	**38.5**	**4.0**	**2.1**	**2.2**	**6.7**	**2,374**	**211**	**11.9**
South central											
Southwestern Pub Svc	16.6	16.4	9.6	34.3	-1.6	-5.8	NM	-3.7	725	115	15.8
Oklahoma G&E	15.0	15.8	8.1	36.8	2.3	6.2	7.2	1.8	1,309	142	10.9
Central & So West	13.4	13.2	7.2	33.0	NM	9.3	NM	2.9	2,934	361	12.3
Texas Utilities	13.2	def	0.7	46.2	2.1	10.3	NM	P-D	4,890	-395	def
Houston Industries	11.3	11.6	7.1	45.3	NM	7.2	-7.4	3.4	4,356	425	9.8
Entergy	5.1	10.8	7.1	46.3	3.7	3.0	13.1	13.7	4,056	441	10.9
Gulf States Utils	0.1	2.3	4.8	38.3	NM	3.0	NM	D-P	1,716	106	6.2
El Paso Electric	def	def	0.9	56.9	7.2	-2.1	NM	D-D	428	-33	def
Medians	**12.2**	**11.2**	**7.1**	**41.8**	**0.3**	**4.6**	**NM**	**2.4**	**2,325**	**129**	**10.3**
Western											
SCEcorp	15.0	14.8	9.1	42.6	7.6	4.4	2.5	12.7	7,371	814	11.1
San Diego G&E	14.8	15.2	9.1	38.9	2.6	2.4	NM	-2.7	1,777	208	11.7
Public Service Colo	14.6	12.2	7.6	36.3	NM	2.3	6.3	-15.6	1,759	131	7.5
PacifiCorp	14.6	13.7	6.7	47.2	4.9	7.3	5.6	-1.9	3,966	480	12.1
Puget Sound P&L	13.0	14.0	9.0	48.1	6.1	6.5	NM	24.1	969	140	14.4
Hawaiian Electric	10.4	6.8	5.2	33.6	11.6	14.0	NM	-26.2	1,097	43	3.9
Montana Power	9.7	12.4	8.3	33.7	6.9	13.6	NM	35.5	922	107	11.6
Pacific G&E	8.8	12.1	7.8	43.1	2.7	4.7	-4.7	18.7	9,595	996	10.4
Portland General	7.1	2.7	3.9	41.9	0.8	5.3	NM	500.0+	880	21	2.4
Public Service NM	0.4	1.2	3.0	42.0	4.9	-0.5	NM	75.0	861	18	2.1
Pinnacle West	def	8.0	5.9	50.5	6.5	-2.7	NM	D-P	1,518	122	8.0
Tucson Electric	def	def	def	106.6	3.5	7.2	NM	D-D	552	-770	def
Medians	**10.1**	**12.1**	**7.1**	**42.3**	**4.9**	**5.0**	**NM**	**15.7**	**1,308**	**127**	**9.2**
Industry medians	**12.4**	**12.2**	**7.0**	**40.4**	**3.2**	**3.7**	**-11.7**	**1.7**	**1,509**	**134**	**10.1**
All-industry medians	**13.2**	**9.9**	**7.6**	**32.4**	**11.3**	**3.7**	**4.5**	**-5.9**	**1,436**	**40**	**2.9**

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

For the companies that find, refine and deliver oil or gas, last year wasn't so great. The way things look now, 1992 won't be so great, either.

By William P. Barrett

Latest 12-month earnings of energy companies fell more than 5%. This year won't be pretty, either. The drive for market share by oil-producing nations such as Saudi Arabia and the imminent return to the world oil market of Kuwait—and maybe even Iraq—promise to keep production relatively high. The lingering recession is depressing consumption, which in turn will keep prices and margins down across the board. Reflecting all this, Wall Street has recently been beating up on the oils.

Some analysts predict the price of U.S. benchmark crude, about $20 a barrel toward year's end, will fall to near $15 during 1992. That's higher than the $11 bottom hit in 1986, but it will squeeze everybody, from the major internationals to small independents. In Houston, the U.S. energy capital, gloom is increasing.

On the natural gas side, prices remain lower than both true replacement cost and their historical relationship to

Pipe dreams

In 1959 Joseph Williams' first job at family-controlled Williams Cos. was that of a lowly timekeeper. "You get a bird's-eye view," he says of his days monitoring personnel and equipment usage during pipeline construction projects. "You can spot the inefficiencies in a way that no one else has the chance to see them."

Williams, now 58, still has a bit of that timekeeper mentality as chairman and chief executive of the Tulsa-based energy company (estimated 1991 revenues, $2.1 billion). By paring costs, slashing payrolls and finding new ways to use aging assets, he has made his firm one of the brighter spots.

Example: Seven years ago someone came up with the seemingly zany idea of using abandoned gas pipelines as conduits for fiber-optic telecommunications. Williams Cos. jumped at the opportunity. In many places the company ended up laying new conduits—but they were often along pipeline rights-of-way it already owned, chopping capital costs in half. Williams' 11,000-mile fiber-optic network is now the country's fourth largest, behind AT&T's, MCI's and Sprint's. The network should contribute a quarter of Williams' expected 1991 profits of about $100 million.

As for its existing pipeline business, federal data on natural gas pipelines show that Williams' operating costs per unit of gas moved are below the industry average. To add incremental revenues to existing core businesses, Williams has a gas-marketing division that arranges for the transportation of other customers' gas, often through Williams' two big interstate pipelines.

Williams Cos.' five divisions are largely autonomous, so big decisions are made more quickly and closer to the action. Joe Williams says this breeds efficiency, drawing on his seven-year stint in Iran as a project manager in the 1960s. Says he, "It made me more efficient because I didn't have a large staff to depend upon."

Williams detests lazy assets. "Either put 'em to work or we're going to get rid of them," he says. Until a few years ago, Williams Cos. had units involved in coal mining, fertilizer production and real estate. No more. Indeed, even earlier, in 1975, Joe Williams helped make the decision to sell Williams International Group, the company unit where he started. "It was a terrible wrench because the management at the time, which included four Williamses, had grown up in that business," he says. The lesson? "Never fall in love with your assets. If you do, you're a goner."

–W.P.B.

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Williams Cos.' Joseph Williams on a crowded right-of-way
"Never fall in love with your assets."

the price of oil. Low prices have somewhat stimulated demand, but not by much. A big event in natural gas last year was the Chapter 11 filing of highly leveraged Columbia Gas. But Columbia was merely the worst case in a troubled industry sector. Transco, Tenneco and Pacific Enterprises all cut their dividends. Among the few standouts: Enron, which turned profits in the normally tough summer months; Coastal Corp., which adroitly managed system expansion, and Williams Cos. *(see box, opposite)*.

One overall plus: Most of the pipeline companies have settled their "take or pay" exposure for high-priced gas from old contracts. And hopes remain that gas will come into its own sooner or later, if for no other reason than environmental concerns over oil.

Low prices and fears of more stringent environmental restrictions will continue to gut domestic energy exploration and development in the U.S., already at its lowest level in years. This is bad news for oilfield service companies. A

Energy	Profitability				Growth				Sales	Net Income	Profit margin
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
International oils											
Exxon	14.4	17.8	11.7	12.3	4.9	9.5	NM	54.5	107,613	6,035	5.6
Amoco	13.4	11.1	7.7	21.6	3.1	7.3	8.3	-6.0	27,418	1,558	5.7
Mobil	12.0	12.1	9.4	16.6	NM	9.7	8.4	28.3	58,511	2,172	3.7
Texaco	11.3	14.2	10.2	24.8	NM	16.7	NM	3.2	40,635	1,358	3.3
Chevron	9.9	11.9	8.9	21.0	NM	17.6	NM	212.8	39,834	1,887	4.7
British Petroleum	NA	15.4	10.0	31.0	NM	21.4	NA	NA	61,496	2,770	4.5
Medians	12.0	13.2	9.7	21.3	NM	13.2	NM	28.3	49,573	2,030	4.6
Other energy											
Holly Corp	68.3	49.1	19.8	66.0	8.9	11.6	NM	-51.0	488	12	2.4
Tosco	39.0	12.2	11.0	38.4	10.8	9.5	76.7†	-73.6	2,131	55	2.6
Union Texas Petrol	37.1	66.2	22.1	30.5	-8.8	10.7	NM	500.0+	1,265	313	24.7
Atlantic Richfield	26.5	14.0	8.2	34.1	NM	10.2	31.4*	-32.7	18,003	1,007	5.6
Charter	23.6	10.0	11.0	27.7	-18.8	-9.9	NA	D-P	518	14	2.7
Broken Hill	23.0	20.8	11.1	38.8	15.6	1.8	17.0	8.5	11,770	902	7.7
Mapco	22.4	29.6	12.2	44.3	7.7	15.8	20.2	-1.2	2,813	122	4.3
Phillips Petroleum	18.5	15.6	9.0	41.2	NM	11.4	8.2	500.0+	13,727	512	3.7
Diamond Shamrock	17.7*	11.4	8.5	36.7	4.9	13.8	82.9†	-38.8	2,770	47	1.7
El du Pont de Nemours	15.1	13.0	8.9	24.3	7.1	6.0	17.7	-8.5	39,656	2,111	5.3
Amerada Hess	14.2	11.9	7.9	38.8	NM	16.5	44.8†	16.2	7,097	371	5.2
Ashland Oil	13.2	11.3	7.9	42.3	6.2	9.5	NM	-21.7	9,303	145	1.6
Fina	11.7	3.4	3.4	39.0	11.7	3.7	NM	-59.3	3,672	39	1.1
Unocal	11.4	5.0	4.8	56.3	2.6	4.1	NM	-62.5	10,340	127	1.2
Witco	10.7	10.5	8.4	25.0	3.4	3.5	NM	108.0	1,654	65	3.9
Crown Central Pet	9.6	3.5	3.9	14.2	7.7	-0.1	-16.6†	-46.8	1,946	11	0.6
USX-Marathon	9.3*	10.3	6.7	45.6	12.7*	12.5	NM	NA	13,686	374	2.7
Kerr-McGee	7.3	7.2	5.7	30.8	3.3	4.5	22.2†	-13.1	3,518	117	3.3
Valero Energy	7.1	16.4	11.1	26.1	-15.7	4.6	109.4†	56.4	1,152	109	9.4
Murphy Oil	5.0	def	def	13.3	NM	11.4	NM	P-D	2,008	-19	def
Louisiana Land	4.7	9.0	6.2	35.0	-5.1	3.8	NM	10.4	821	42	5.1
Sun Co	4.2	def	def	13.0	NM	14.0	-22.9	P-D	11,279	-334	def
Howell	3.5	5.2	4.9	34.0	37.5	37.3	NM	-50.4	533	3	0.5
Quaker State	3.4	5.5	5.1	18.1	-2.3	-3.7	NM	-4.7	830	17	2.0
Westmoreland Coal	2.5	def	def	14.9	-1.0	-0.7	NM	P-D	563	-5	def
Tesoro Petroleum	def	def	4.7	35.5	-7.5	8.9	NM	P-D	1,085	4	0.4
Occidental Petroleum	def	def	def	53.6	8.7	-34.5	NM	P-D	13,550	-1,664	def
Petroleum Heat & Pwr	def	NE	def	104.8	17.7	-5.8	NM	D-D	552	-23	def
Pennzoil	def	7.8	5.5	51.6	5.3	12.3	30.9	D-P	2,599	97	3.7
Hadson	def	NE	11.5	114.1	42.7	3.6	NM	D-P	466	0	def
Maxus Energy	def*	def	5.0	70.5	-9.6	26.4	NM	D-D	799	8	1.0
Oryx Energy	NA	24.8	8.2	57.0	NM	9.1	NA	126.1	1,810	199	11.0
Medians	9.6	9.5	7.3	37.5	3.3	9.0	NM	-21.7	2,070	51	2.5

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

few, like Baker Hughes and Halliburton, will be able to find business abroad from oil-producing countries in Latin America and even the former U.S.S.R.

Although the current outlook for 1992 isn't promising, many companies have better long-term prospects. Downsizing and restructuring have made virtually all the players in the industry more efficient than they've been in decades. For companies like Amerada Hess, Diamond Shamrock and Atlantic Richfield, any upsurge in the price of oil will quickly boost profits. ■

Energy	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Oilfield services											
Schlumberger	12.0	20.3	19.1	9.0	NM	19.1	29.6†	27.1	6,002	659	11.0
Dresser Industries	8.8	8.8	8.7	11.1	2.6	14.2	NM	-9.2	4,790	153	3.2
Baker Hughes	8.4	12.2	10.1	26.2	3.1	8.2	43.2†	18.9	2,828	173	6.1
Halliburton	4.7	6.4	6.7	21.7	10.5	5.7	59.7†	-23.4	7,076	143	2.0
Smith International	def	9.3	9.0	53.5	-9.8	23.9	NM	D-P	435	13	2.9
Baroid	NA	9.3	7.4	38.9	-6.1	25.2	NM	17.9	690	24	3.5
Medians	8.4	9.3	8.9	24.0	-1.7	16.6	NM	18.4	3,809	148	3.3
Gas producers & pipeliners											
Coastal Corp	13.0	9.0	6.2	56.2	6.8	10.7	16.1	-13.0	9,884	179	1.8
Enron	10.6	12.6	7.0	45.9	NM	30.7	NM	-13.7	14,632	230	1.6
Williams Cos	8.7	9.6	6.6	45.2	-8.3	11.5	-32.7†	169.6	2,028	115	5.7
Sonat	7.4	9.5	6.9	46.0	-6.6	6.0	NM	26.6	1,591	110	6.9
Mitchell Energy	4.5	8.7	4.6	49.7	NM	26.6	14.8	79.4	860	53	6.1
Transco Energy	1.3	def	2.1	55.0	-4.9	-14.0	NM	P-D	2,743	-33	def
Panhandle Eastern	def	def	def	57.6	NM	-19.4	NM	P-D	2,616	-197	def
American Oil & Gas	def	12.6	10.9	35.5	34.2	-12.9	NM	D-P	385	13	3.5
Burlington Resources	NA	7.1	5.7	27.9	-16.3	-1.6	NA	-0.6	1,789	208	11.7
Medians	5.9	9.0	6.2	46.0	-8.3	6.0	NM	-0.6	2,028	110	3.5
Gas distributors											
Nicor	18.8	16.0	8.3	27.1	-5.3	-5.0	NM	-8.3	1,512	110	7.3
MCN	15.6*	13.1	7.6	39.1	-6.7	4.5	-15.0†	3.1	1,272	40	3.2
Piedmont Natural Gas	14.6	9.0	6.6	37.6	NM	-1.7	15.4	-33.2	400	18	4.6
Peoples Energy	13.6	12.3	7.6	39.1	-4.2	-5.3	NM	-1.0	1,104	67	6.1
UtiliCorp United	13.3	12.2	7.4	45.2	23.0	12.3	4.4	12.4	969	68	7.1
Kansas Power & Light	13.0	11.3	6.9	35.1	-2.8	-4.9	-3.0	0.0	1,125	75	6.7
Southwest Gas	12.4	def	2.9	62.1	11.3	-2.7	NM	P-D	825	-2	def
Washington Gas Light	12.2	11.2	8.3	34.0	NM	-5.1	NM	-9.2	698	46	6.7
Brooklyn Union Gas	11.8	10.6	7.0	39.1	NM	-0.3	NM	1.9	991	62	6.2
UGI	11.7	8.1	5.0	47.8	-7.1	102.4	NM	-14.7	694	23	3.4
Eastern Enterprises	11.5	7.9	5.9	33.6	-7.2	5.1	29.8*	-34.8	981	41	4.1
Laclede Gas	11.4	10.9	8.1	41.9	-2.2	-3.6	-7.8	18.5	454	20	4.4
Atlanta Gas Light	10.8	10.5	7.2	40.9	-0.6	-3.7	2.6	2.5	964	49	5.1
Wicor	10.0	4.1	4.1	27.4	-3.3	-4.8	-11.0	-58.4	665	10	1.5
Medians	12.3	10.8	7.1	39.1	-4.7	-3.2	-13.0	-4.6	967	44	4.9
Integrated gas											
Consol Natural Gas	10.9	9.0	5.7	30.2	NM	-6.0	-3.9	0.5	2,688	165	6.2
Equitable Resources	10.8	13.9	8.8	28.1	5.9	8.4	NM	50.2	681	74	10.8
National Fuel Gas	10.8	9.6	7.3	38.0	NM	-3.0	NM	-10.9	865	49	5.7
Questar	9.2	13.1	8.5	29.8	-2.9	19.9	NM	28.7	620	66	10.6
Oneok	9.1	10.6	7.2	34.6	NM	3.2	NM	9.9	689	36	5.2
Columbia Gas System	7.3	def	def	49.8	-7.5	-17.2	4.3*	P-D	2,438	-815	def
Pacific Enterprises	6.7	9.4	6.5	37.7	7.0	-2.4	NM	D-P	6,763	189	2.8
KN Energy	6.3	1.2	3.4	40.5	NM	3.2	17.6	-88.7	394	4	0.9
Arkla	5.2	2.6	3.1	47.3	22.0	20.2	NM	-77.2	2,822	39	1.4
Enserch	1.3	6.4	5.2	42.9	-2.6	1.4	NM	-33.3	2,832	61	2.2
Medians	8.2	9.2	6.1	37.8	-5.2	2.3	NM	-5.2	1,652	55	4.0
Industry medians	10.7	9.6	7.2	37.7	-4.2	6.0	NM	-4.7	1,810	62	3.5
All-industry medians	13.2	9.9	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Movie companies, TV networks and publishers have been forced to audition the same act: cost-cutting.

By Kathryn Harris

Grimly, the free-spending media and entertainment companies of the 1980s spent much of 1991 tightening their belts. Through layoffs and asset sales, Rupert Murdoch's News Corp. reduced its work force by 20%. Both the *Dallas Times Herald* and the *Arkansas Gazette* (the oldest newspaper west of the Mississippi) ceased publication. Shortly after Robert Maxwell's death, his publishing empire sank into a sea of debt and controversy. And John Kluge, America's wealthiest man, put his 68%-owned Orion Pictures into Chapter 11.

Of the three major networks, only ABC was profitable in 1991. Network viewership continues to erode. Prime-time advertising revenues declined to $4.7 billion in 1991, down from nearly $5 billion the previous year, according to Paul Kagan Associates Inc. of Carmel, Calif. By contrast, cable fared relatively well, although the subscriber growth rate slowed to about 4% in 1991, compared with 5% in 1990.

"Cable is not recession-proof," said Bear, Stearns analyst Kenneth Goldman, noting that the number of pay-TV subscriptions declined in 1991. Still, Goldman predicts that cable operators' cash flow will increase by 10% to 13% annually for the next few years.

The newspaper industry endured a bleak year. First Boston's Kevin Gruneich predicts revenues won't be much better than flat in 1992. Susan Decker, an analyst for Donaldson, Lufkin & Jenrette, believes the industry hit bottom in the third quarter of 1991 and could show a 5% gain in revenues during the second half of 1992.

Ironically, 1991 ranked as the movie industry's third-best year at the box office. With fewer independent producers, more markets opening up abroad and a "new austerity" at the big studios, Bear, Stearns Managing Director Michael Garstin predicts that Hollywood will soon be making money again.

Television is king

AGAINST a backdrop of eroding network fortunes and a persistent recession, the performance of King World Productions is all the more striking. For the year ended Aug. 31, 1991, the TV program syndicator increased its profits 11%, to $93 million, on revenues of $476 million. As the leading distributor of "first-run" syndication shows, King World sells new shows on a market-by-market basis.

The King technique: a lean, 14-person sales force led by King World Chairman Roger King, 47. The group crisscrosses the country persuading stations to sign long-term contracts for *Wheel of Fortune, Jeopardy!* and *The Oprah Winfrey Show*. They're very persuasive. The first two programs have been sold in markets serving 84% of the nation through the 1993-94 season. *Oprah* has been sold in more than 77% of the country through 1995.

King World, as the distributor, gets a share of the revenues of these highly popular shows that amounts to over $350 million each year. As a result, King has ample cash ($242 million as of Aug. 31, 1991) to branch into other areas of the industry or create new programming of its own.

That part of the business is directed largely by President and Chief Executive Michael King, 43, the chairman's brother. *Inside Edition,* a tabloid-style news program, is his first in-house production. Launched in January 1989, it ranks in the top ten in first-run syndication.

In November 1991 King World acquired rights to *Hollywood Squares.* The company has also sold a prime-time pilot to CBS based on *Topper,* the 1950s TV comedy.

King's one toe stub was its 1988 purchase of a Buffalo TV station (WIVB-TV, a CBS affiliate) for $100 million. Losses at the station widened to $7.8 million in 1991, and the station fell out of compliance with its loan covenants. Talks have been under way to restructure the debt.

Buffalo aside, King World remains a favorite on Wall Street. With a payroll of fewer than 500 employees, King World made nearly as much last year as the ABC television network. NBC and CBS together were expected to lose nearly $500 million in 1991. –K.H.

Morgan B Azm

King World Productions' Michael King
Producing in-house shows.

ENTERTAINMENT & INFORMATION

Entertainment & information	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity		Return on capital latest 12 mos %	Debt/capital %	Sales		Earnings per share				
Company	5-year average %	latest 12 mos %			5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Broadcasting & cable											
King World Prods	65.7	61.5	38.5	28.5	26.3	4.9	40.7	10.7	476	93	19.6
CBS	30.0	def	def	53.9	-8.6	-5.9	-26.3	P-D	3,017	-251	def
Capital Cities/ABC	15.4	11.7	9.5	31.7	29.1	0.6	24.4	-18.0	5,374	398	7.4
Viacom	def†	def	2.7	76.4	25.6	8.0	NA	D-D	1,679	-105	def
Tele-Communications	def	def	2.8	84.7	49.6	8.0	NM	D-D	3,792	-200	def
Comcast	def	NE	def	89.2	46.5	10.4	NM	D-D	709	-161	def
Cablevision Systems	NE	NE	def	161.4	37.4	8.8	NM	D-D	597	-214	def
Multimedia	NE	NE	24.9	170.1	7.4	6.8	54.9†	8.1	508	51	10.0
Turner Broadcasting	NE	NE	7.7	104.3	29.5	8.5	NM	D-D	1,442	12	0.8
Medians	def	def	2.8	84.7	29.1	8.0	NM	D-D	1,442	-105	-5.3
Movies											
General Cinema	36.5	7.3	7.5	32.3	21.3	5.1	24.4	89.4	2,220	118	5.3
Paramount Commun	26.2	3.9	4.1	13.2	NM	6.7	22.6	-89.1	3,907	149	3.8
Walt Disney	24.5	18.1	12.1	30.1	22.1	5.8	22.1	-20.3	6,182	637	10.3
LIVE Entertainment	20.8	def	def	57.3	28.3	-23.0	32.6	P-D	506	-86	def
Handleman	18.3	10.7	10.2	33.5	12.3	4.7	NM	-27.6	784	25	3.2
Commtron	13.5	12.0	11.7	0.0	5.1	-4.8	14.9	-16.7	528	8	1.5
Time Warner	def	def	2.7	44.3	26.7	5.3	NM	D-D	11,922	-178	def
Orion Pictures	def	def	def	68.5	21.0	32.6	NM	P-D	645	-137	def
AMC Entertainment	def	def	6.9	82.4	11.7	-0.5	NM	D-D	418	-1	def
Medians	18.3	3.9	6.9	33.5	21.0	5.1	14.9	-89.1	784	8	1.5
Publishing											
Pulitzer Publishing	66.0	16.3	10.2	49.0	7.8	-3.0	7.1	-56.3	395	11	2.8
Reader's Digest Assn	45.2	31.8	30.2	1.8	12.9	14.7	26.7	14.8	2,399	214	8.9
Washington Post	28.9	12.9	11.2	9.1	5.9	-4.7	15.3	-34.2	1,383	117	8.5
Affiliated Pubs	26.6	3.6	4.0	41.2	9.4	-4.2	NM	-76.1	521	7	1.4
Dun & Bradstreet	25.5	23.6	23.5	0.0	12.1	0.7	8.6	-1.1	4,700	490	10.4
Commerce Clearing	22.6	13.7	12.2	4.1	9.8	0.1	-4.0	-14.4	704	30	4.3
Gannett	21.2	15.7	11.4	43.3	8.9	-3.4	9.7	-13.7	3,385	322	9.5
Dow Jones	20.9	6.4	5.7	23.8	11.8	-0.3	NM	-26.0	1,712	92	5.4
Knight-Ridder	20.9	14.0	8.5	33.3	5.7	-3.8	10.6	-22.6	2,237	128	5.7
New York Times	19.0	2.3	1.8	18.9	4.6	-4.7	NM	-28.9	1,707	25	1.4
RR Donnelley & Sons	17.4	12.8	8.6	21.8	11.6	18.6	8.9	-9.0	3,892	205	5.3
Times Mirror	16.9	7.0	5.8	31.6	4.7	0.4	-5.1	-32.7	3,586	141	3.9
McGraw-Hill	16.0	16.2	11.3	32.4	5.1	1.8	NM	500.0+	1,933	154	8.0
McClatchy Newspapers	14.7	7.8	6.4	10.6	11.0	3.8	9.9	-12.2	427	25	5.8
Banta	14.6	9.4	7.5	22.5	19.3	-3.2	6.1	16.8	562	20	3.5
Central Newspapers	14.3	8.8	7.7	0.8	3.6	-4.0	2.6	-25.4	420	24	5.7
Western Publishing	14.0	1.4	1.6	0.0	11.2	-2.1	-12.7	-86.2	489	3	0.7
Houghton Mifflin	12.3	10.7	9.6	18.6	8.5	8.7	NM	-10.8	465	22	4.8
Meredith	11.7	7.9	7.3	0.0	7.3	-0.5	15.2	-11.8	738	25	3.4
American Greetings	11.3	13.0	10.1	21.7	6.5	9.8	NM	14.9	1,470	87	5.9
EW Scripps	11.0*	9.5	6.9	26.3	7.6	-0.5	NM	8.0	1,291	61	4.7
Tribune	10.8	def	def	30.0	4.7	-18.5	NM	P-D	2,034	-82	def
AH Belo	9.8	8.4	5.8	44.8	2.3	-1.7	NM	-22.3	428	19	4.5
Media General	8.1	def	def	45.5	NM	-4.8	NM	P-D	593	-68	def
Medians	16.4	9.4	7.6	22.1	7.7	-1.1	-4.6	-18.3	1,337	28	4.8
Advertising											
Interpublic Group	21.7	17.7	14.0	24.4	15.2	20.0	17.1	9.9	1,541	86	5.6
Omnicom Group	19.6	17.9	14.3	47.4	11.3	3.2	12.7†	-0.5	1,184	54	4.6
ADVO-System	16.6	23.1	25.3	0.0	8.4	6.5	NM	11.6	697	19	2.8
Grey Advertising	14.0	11.4	12.5	2.6	16.1	14.0	11.1	0.8	514	14	2.7
WPP Group	2.8	def	2.8	41.7	NM	-5.2	13.8	D-D	2,176	2	0.1
Medians	16.6	17.7	14.0	24.4	11.3	6.5	12.7	0.8	1,184	19	2.8
Industry medians	15.4	8.4	7.6	31.6	11.0	0.7	-0.7	-22.6	1,291	25	3.8
All-industry medians	13.2	9.9	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

After being burned by foreign loans, junk bonds and real estate, the financial services industry was rescued by individual investors.

By Matthew Schifrin

After four dismal years, financial services companies made a strong recovery in 1991. Yes, there were still those troubled thrifts and the recession. But falling interest rates were a boon not only for spread-sensitive outfits, like Fannie Mae, Sallie Mae and banks and thrifts, but also for brokerage firms that benefited from the long-awaited return of individual investors to the stock and bond markets.

With rates on six-month certificates of deposit dropping below 5% on average, money flooded into bond funds and stocks—investments that offered the promise of higher returns. There was also a deluge of new issues. The final tally of capital raised in 1991 could total nearly $15 billion, similar to 1986, the last record year.

Through the first 11 months of 1991 the Standard & Poor's brokerage stock index doubled. In contrast, the S&P

"What's the payback?"

ONE OF the most profitable savings and loans in the nation, $25 billion (assets) Golden West Financial has averaged an almost 20% return on equity over the past five years and a nearly 18% return over the last 12 months.

The Oakland, Calif.-based thrift has an impressive 1.2% ratio of problem assets to total loans, versus a 4% average for the thrift industry, says Bruce Harting, an analyst at Salomon Brothers. Moreover, general and administrative expenses as a percentage of gross income are 10%, compared with 18% for the industry.

Richard Morgenstein

Golden West's Herbert and Marion Sandler

A $25 billion thrift with mom-and-pop conservatism.

What's the secret? "We keep our business very, very simple," says President Marion Sandler, the wife of the husband-and-wife management team. That means no junk bonds in the portfolio and an almost religious adherence to the traditional thrift business of taking in deposits and making home mortgages. Adds Chairman Herbert Sandler, "Our expenses are low because we are constantly asking ourselves, 'What is the payback?' "

So no corporate jet or company limos. Advertising is done in-house, and an intercom at the front desk serves as the receptionist. "We don't need someone whose only function is to greet people and do nothing all day," says Marion.

Nor do any of Golden West's 230 World Savings & Loan branches have automated teller machines. One reason: The average age of Golden West's customers is 58, and they are intimidated by the machines, says Marion. No wasted space, either. The average branch office size is 3,250 square feet, compared with 10,000 square feet for other financial institutions.

All this penny-pinching hasn't come at the expense of Golden West employees. The thrifty Sandlers believe the only way to maintain quality is to motivate their workers. To that end, many managers and employees are awarded bonuses if they meet their operating budgets.

One way the Sandlers check quality is by hiring retirees to act as customers and make surprise inspections at local branches.

Although California's economy and housing industry are uncertain, Wall Street is giving the Sandlers a standing ovation for their performance. Shares of Golden West trade at 1.7 times book value, while the thrift industry is priced at a slight discount to book value.

The Sandlers' personal reward for their efficiency: Their 8% or so stake in Golden West is worth more than $250 million.

–M.S. ■

Financial services

Company	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity		* Return on capital		Sales		Earnings per share				
	5-year average %	latest 12 mos %	latest 12 mos %	Debt/ capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Multinational banks											
First Chicago	**11.1**	6.3	6.6	35.1	**7.2**	-10.1	**NM**	-47.4	5,116	189	3.7
BankAmerica	**9.6**	16.8	12.5	36.1	**NM**	4.2	**NM**	33.9	12,470	1,051	8.4
Bankers Trust NY	**7.9**	24.3	14.1	45.9	**11.5**	-10.9	**NM**	0.1	7,042	653	9.3
JP Morgan & Co	**5.5**	20.8	12.6	48.3	**11.4**	0.5	**NM**	37.2	10,438	1,036	9.9
Citicorp	**5.2**	def	2.0	69.8	**12.9**	-17.5	**NM**	D-D	32,952	-1,163	def
Chemical Banking	**0.5**	10.0	7.8	43.4	**9.2**	-7.5	**NM**	1.2	7,386	383	5.2
Continental Bank	**def**	def	def	39.4	**3.1**	-15.2	**NM**	D-D	2,465	-92	def
Manufacturers Hanover	**def**	3.3	5.1	41.6	**-0.6**	-8.8	**NM**	-69.0	7,044	163	2.3
Bank of Boston	**def**	def	def	42.6	**14.0**	-27.7	**NM**	D-D	4,536	-336	def
Chase Manhattan	**def**	12.7	8.5	50.7	**8.9**	-11.2	**NM**	D-P	12,328	578	4.7
Medians	**2.8**	**8.2**	**7.2**	**43.0**	**9.0**	**-10.5**	**NM**	**D-P**	**7,215**	**286**	**4.2**
Regional banks											
Wells Fargo	**22.0**	13.2	10.0	52.3	**11.7**	3.6	**27.6**	-43.7	5,960	409	6.9
State Street Boston	**19.6**	20.1	17.3	23.9	**19.3**	4.4	**14.2**	23.6	1,319	142	10.8
Bancorp Hawaii	**19.2**	16.9	15.2	9.8	**16.5**	16.3	**16.9**	8.2	1,038	108	10.4
SunTrust Banks	**17.8**	15.6	14.1	16.0	**8.6**	1.0	**11.3**	3.7	3,414	361	10.6
Fifth Third Bancorp	**17.7***	17.0	16.2	1.5	**25.8**	7.1	**12.6**	13.7	881	133	15.1
Banc One	**17.5**	16.8	15.0	17.8	**16.4**	11.4	**12.0**	11.9	3,731	494	13.2
National City	**17.1**	12.1	11.7	11.0	**9.6**	-1.1	**9.8**	-26.2	2,634	204	7.7
Wachovia	**17.0**	15.9	15.5	5.1	**8.8**	0.1	**8.7**	6.0	2,494	311	12.5
Old Kent Financial	**16.7**	14.7	13.6	10.3	**16.3**	-1.1	**5.4**	0.0	862	90	10.4
First Union	**16.5**	10.0	9.4	40.9	**16.7**	7.8	**NM**	-5.7	4,175	285	6.8
NCNB	**16.1**	12.9	11.1	29.8	**30.9**	1.9	**12.5**	-15.4	6,702	433	6.5
Comerica	**16.1**	16.5	15.0	20.4	**6.7**	8.3	**18.3**	-1.1	1,400	143	10.2
Michigan National	**16.1**	4.5	4.6	8.2	**10.2**	11.8	**14.4**	-49.6	1,135	34	3.0
SouthTrust	**16.0**	15.3	13.4	18.4	**17.5**	10.8	**6.6**	20.6	927	86	9.2
NBD Bancorp	**15.9**	14.8	14.1	17.0	**13.2**	-0.7	**12.6**	1.6	2,640	276	10.5
Union Bank	**15.8**	11.9	9.7	23.2	**29.8**	0.4	**16.7**	-21.8	1,672	115	6.9
Society	**15.8**	16.2	14.8	14.5	**14.9**	4.4	**9.5**	8.3	1,649	165	10.0
Northern Trust	**15.8**	17.6	15.0	20.0	**13.9**	0.5	**NM**	6.2	1,298	125	9.6
Norwest	**15.7**	19.3	11.2	58.6	**6.7**	25.2	**NM**	7.1	4,212	360	8.6
US Bancorp	**15.5**	14.9	13.1	46.6	**20.6**	7.4	**14.4**	-0.2	2,010	188	9.3
Firstar	**15.4**	16.3	13.1	14.6	**10.4**	24.1	**NM**	2.7	1,192	124	10.4
Manufacturers Natl	**15.4**	15.8	15.2	6.7	**14.3**	5.0	**9.0**	7.7	1,183	118	10.0
Marshall & Ilsley	**15.2**	14.7	13.2	21.6	**11.9**	3.0	**5.5**	13.0	845	89	10.6
KeyCorp	**14.8**	14.8	13.3	26.3	**22.1**	28.5	**5.7**	7.5	2,195	173	7.9
First of America Bank	**14.6**	13.5	12.5	10.1	**24.6**	6.7	**4.1**	5.9	1,445	132	9.2
C&S/Sovran	**14.5**	1.2	2.4	22.1	**11.9**	-2.5	**NM**	-89.4	5,115	51	1.0
CoreStates Financial	**14.3**	6.9	6.8	42.4	**17.3**	3.3	**-11.4**	-62.5	2,498	95	3.8
South Carolina Natl	**14.2**	9.1	8.8	13.0	**10.4**	6.7	**9.4**	-22.3	728	44	6.0
Signet Banking	**14.1**	4.4	4.6	28.2	**12.8**	-9.1	**NM**	-51.6	1,306	33	2.5
AmSouth Bancorp	**14.0**	12.8	11.9	16.5	**15.7**	0.2	**NM**	26.8	894	77	8.6
Huntington Bcshs	**13.8**	14.3	13.1	14.2	**15.5**	-1.6	**4.4**	31.2	1,230	113	9.2
Commerce Bcshs	**13.8**	12.6	12.2	7.1	**4.7**	2.1	**13.2**	3.6	603	59	9.8
Barnett Banks	**13.3**	4.6	5.4	25.7	**16.0**	3.4	**NM**	-53.1	3,335	86	2.6
Crestar Financial	**12.4**	3.3	4.1	17.0	**11.4**	1.6	**NM**	-71.8	1,254	27	2.2
INB Financial	**12.1**	9.8	9.8	10.3	**12.6**	0.2	**NM**	-4.2	655	46	7.0
First Tennessee Natl	**11.8**	14.9	12.8	23.0	**8.0**	2.5	**NM**	26.5	750	59	7.9
PNC Financial	**11.7**	4.2	4.3	25.9	**25.8**	-6.6	**-21.2**	-53.2	4,556	121	2.7
Security Pacific	**11.3**	def	def	70.1	**14.6**	-8.3	**-16.1**	P-D	9,549	-723	def
Hibernia	**11.1**	def	def	28.6	**26.6**	-2.5	**NM**	P-D	764	-116	def
Boatmen's Bancshs	**11.0**	12.3	11.6	15.0	**2.8**	4.9	**6.1**	5.7	1,579	146	9.3
UJB Financial	**10.5**	def	0.3	8.2	**16.4**	-7.5	**NM**	P-D	1,234	-3	def
Fleet/Norstar Finl	**10.5**	def	2.8	48.9	**16.4**	1.8	**NM**	P-D	4,025	4	0.1
Meridian Bancorp	**10.3**	13.7	12.2	14.6	**14.6**	-4.7	**-19.0**	246.3	1,212	95	7.8
Bank of New York	**9.8**	3.6	4.5	30.0	**31.8**	-16.0	**NM**	-72.7	4,538	121	2.7
Republic New York	**9.5**	14.3	8.7	60.3	**18.9**	0.3	**NM**	-19.7	2,683	219	8.2

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

500 gained 25%, the Nasdaq 50%. Retail-oriented firms like Merrill Lynch, PaineWebber and A.G. Edwards posted healthy stock gains, while shares of San Francisco-based discount broker Charles Schwab nearly tripled.

The top company among the brokerage firms that were tracked in this survey, Morgan Stanley, continued to do well in 1991, thanks mainly to trading profits. If the economy starts to pick up this year and corporations become more acquisitive, 1992 could be even better for Morgan Stanley, one of Wall Street's leaders in mergers and acquisitions.

The mergers of Manufacturers Hanover and Chemical Banking, BankAmerica and Security Pacific, and NCNB and C&S/Sovran buoyed speculation in bank stocks. But analyst James Marks at SNL Securities in Charlottesville, Va. doubts whether all the big bank consolidations will pro-

Financial services	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
First Security	9.1	10.7	10.1	14.9	3.2	3.7	33.7	-0.6	709	52	7.3
Dominion Bankshares	8.8	def	def	18.8	18.7	-4.3	NM	P-D	1,061	-13	def
Midlantic	6.6	def	def	36.7	13.9	-16.6	NM	D-D	2,113	-475	def
Mercantile Bancorp	6.2	14.2	13.0	18.4	3.3	4.1	NM	21.8	781	65	8.3
BayBanks	5.9	def	def	9.7	13.8	-3.2	NM	D-D	1,047	-29	def
First Fidelity Bncp	4.3	14.7	11.8	35.5	10.3	-7.0	NM	D-P	2,848	216	7.6
Ameritrust	3.4	def	def	23.1	12.8	-7.1	NM	P-D	1,180	-36	def
First Interstate Bncp	2.7	def	0.9	53.4	4.2	-11.7	NM	D-D	5,380	-137	def
MNC Financial	2.3	def	def	33.6	21.1	-28.6	NM	D-D	2,207	-185	def
Riggs National	0.5	def	def	53.3	11.1	-13.1	NM	P-D	634	-131	def
Shawmut National	0.4	def	def	39.1	12.2	-15.5	NM	D-D	2,413	-375	def
First Bank System	0.0	14.4	9.3	37.5	-4.2	-15.9	NM	D-P	1,880	173	9.2
First American Corp	def	def	def	4.4	10.3	-24.5	NM	D-D	572	-8	def
Mellon Bank	def	3.6	6.0	41.6	1.2	-8.5	NM	-78.8	3,188	109	3.4
Valley National	def	7.6	7.5	21.3	2.9	-1.7	NM	D-P	1,127	34	3.1
Premier Bancorp	def	7.5	7.4	21.2	-3.1	-4.6	NM	95.8	381	12	3.0
First City Bncp Texas	NA	def	def	12.4	NA	-17.8	NA	P-D	1,158	-355	def
Medians	**13.8**	**12.2**	**9.9**	**20.8**	**13.8**	**0.3**	**NM**	**-2.7**	**1,360**	**93**	**7.1**
Thrift institutions											
Golden West Finl	19.7	17.7	10.8	40.7	10.0	7.2	NM	19.6	2,237	217	9.7
Standard Fedl Bank	12.3*	11.6	9.9	14.3	7.1	-4.3	-13.0†	37.2	882	55	6.2
HF Ahmanson	11.0	7.7	5.8	46.6	11.0	-0.9	-10.6	-32.6	4,713	182	3.9
Gt Western Financial	10.4	11.0	6.6	56.6	3.5	-0.7	-13.7	101.1	4,073	230	5.7
Washington Mutual	7.6	15.9	11.0	25.8	11.3	1.5	NM	D-P	724	64	8.8
FirstFed Michigan	7.0	3.1	4.7	57.5	-1.6	-12.7	-35.4	-57.4	965	14	1.4
Talman Home Federal	5.9*	8.9	7.8	0.0	-2.3	-1.4	-15.4†	95.1	533	31	5.8
GlenFed	1.5	def	def	44.7	2.8	-24.4	NM	P-D	1,946	-233	def
CalFed	0.7	def	def	30.0	NM	-19.8	NM	D-D	1,910	-186	def
HomeFed	0.7	def	def	47.1	12.7	-13.7	NM	D-D	1,663	-948	def
Commercial Federal	def	10.5	9.6	23.7	10.0	5.9	NM	D-P	528	17	3.2
TCF Financial	def*	7.8	8.0	14.6	-4.5	-6.8	NM	D-P	448	12	2.7
Coast Savings Finl	def	12.5	16.9	20.3	9.2	-15.3	NM	D-P	960	29	3.0
Dime Savings Bank FSB	def*	def	def	49.9	8.3	-9.4	NM	D-D	1,011	-51	def
Anchor Bancorp	def*	22.5	10.1	25.6	5.5	-6.3	NM	D-P	856	46	5.4

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

vide the promised economies of scale. Bankers are "lemmings in neckties," warns Marks. One big bank conspicuously left out of the merger game has been Citibank, which is generally regarded as too big and sick to merge.

How about the thrifts? Declining interest rates were partially offset by the weak housing market and new government-imposed capital requirements. But the overall industry improved in 1991. For example, latest 12-month earnings per share at Golden West Financial, a well-managed California thrift, were $3.42, about 20% better than the previous 12 months *(see box, p. 144)*.

The mortgage-servicing business was a big boost to well-capitalized thrifts. Examples include Standard Federal Savings in Michigan and Great Western in California. Freddie Mac and Fannie Mae also benefited from increased demand for mortgage-backed securities. ■

Financial services	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		Return on capital		Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	latest 12 mos %	Debt/ capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Northeast Federal	def	def	4.1	0.3	NM	-15.4	NM	D-D	421	8	1.9
Meritor Savings Bank	def	def	def	58.9	-12.8	-39.1	NM	D-D	568	-65	def
American Capital	def	NE	def	87.3	6.5	-18.1	NM	D-D	460	-59	def
People's Bank	NA	def	def	0.0	10.1	-12.3	NA	D-D	632	-151	def
Medians	0.7	7.7	5.8	30.0	6.5	-9.4	NM	P-D	882	14	2.7
Brokerage & commodity											
Morgan Stanley	27.5	18.8	14.5	45.8	28.5	8.2	18.1	9.8	6,475	401	6.2
AG Edwards	16.8	19.5	19.9	0.0	8.9	21.0	6.9	33.8	774	77	9.9
Bear Stearns Cos	15.5	16.4	12.1	38.9	11.3	2.0	NM	62.8	2,415	172	7.1
Commercial Metals	11.6	6.0	5.4	18.7	6.6	1.1	8.1	-50.7	1,150	12	1.0
Salomon	9.4	14.8	10.3	64.5	9.3	0.2	NM	47.5	9,548	521	5.5
Charles Schwab	9.0†	21.1	15.1	40.3	22.9	17.8	NA	66.2	729	34	4.7
Merrill Lynch	5.9	16.4	11.8	56.0	8.6	7.6	-8.8	D-P	12,052	556	4.6
PaineWebber Group	def	def	3.5	39.5	8.7	-1.5	NM	P-D	3,036	11	0.4
Medians	10.5	16.4	12.0	39.9	9.1	4.8	-8.8	40.6	2,726	125	5.1
Lease & finance											
Sallie Mae	38.0	36.3	5.9	96.4	26.0	-3.0	25.5	19.8	3,428	332	9.7
Federal Natl Mortgage	30.9	31.3	7.0	94.6	4.2	5.5	67.9*	23.0	13,195	1,396	10.6
Federal Home Loan Mtg	29.6	22.0	9.0	81.7	19.3	8.1	15.1*	0.8	4,220	471	11.2
H&R Block	26.5	25.8	25.8	0.0	15.1	15.6	16.8	14.4	1,227	140	11.4
MBNA	24.3*	31.8	32.2	0.0	18.8*	NA	17.8*	NA	1,086	143	13.2
Household Intl	20.0	19.8	8.2	79.9	6.5	10.0	9.8	4.6	4,568	257	5.6
GATX	18.1	15.6	6.3	65.5	6.4	17.6	31.8*	19.1	969	86	8.9
American Express	16.2	12.7	8.1	58.3	14.2	4.5	-9.0	172.3	25,439	846	3.3
Primerica	13.8	15.2	10.5	57.0	46.9	6.0	46.9*	22.3	6,450	446	6.9
Beneficial Corp	13.3	15.0	8.6	80.2	NM	7.7	NM	3.6	1,831	143	7.8
Rouse	8.9	def	4.0	96.5	15.8	11.1	NM	D-D	572	-10	def
Ryder System	6.8	0.7	4.0	48.7	11.6	-1.1	-27.3	-87.6	5,070	20	0.4
New Valley	def	NE	def	NE	-16.3	-54.4	NM	D-P	268	-21	def
Medians	18.1	15.6	8.1	65.5	14.2	6.8	15.1	16.8	3,428	143	7.8
Industry medians	11.1	12.0	8.7	27.2	11.3	0.1	NM	0.8	1,656	88	5.6
All-industry medians	13.2	9.9	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

FOOD DISTRIBUTORS

Who said this industry is recession-proof? Low food inflation, slow sales and a trend toward buying less expensive generic brands tell a different tale.

By Toddi Gutner

Food distributors, supermarkets and restaurants usually benefit from a moderate rate of inflation because they can easily pass price increases on to their customers and improve margins. But despite food price inflation of barely 3% last year (as against 6.5% in 1990), the profitability of many of the supermarkets and wholesalers listed in the table fell sharply. Among the reasons: Faced with higher prices for branded packaged goods, millions of consumers are voting with their feet and buying less expensive generics and store brands.

Hit the hardest in 1991 were the food wholesalers. Purchasing practices like forward buying—where wholesalers purchase a future supply of goods to lock in favorable prices—backfired when prices went down instead of up. Super Food Services, for example, was hurt by this type of strategy.

But wholesalers face a more fundamental threat: Big supermarkets are dropping their independent distributors and replacing them with in-house distribution networks. Fleming Cos., the nation's largest wholesaler, lost $700 million in revenues in the last two years when it was dropped by regional chains like Raley's and Albertson's. And Wetterau was the supplier for Alexander's Shop & Save, a chain of nine supermarkets in New Hampshire and Massachusetts, until Alexander's was purchased by Hannaford Bros.

Super Valu Stores, a Minneapolis-based wholesaler, is an exception. Excluding gains from a spinoff, its profits have held steady while other wholesalers' earnings have declined over the latest 12 months. Super Valu specializes

Food distributors

Company	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity				Sales		Earnings per share				
	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Supermarkets & convenience											
Food Lion	32.3	30.0	22.6	30.5	24.8	16.5	29.5	21.6	6,205	198	3.2
Arden Group	32.3	8.8	8.6	34.1	-4.4	-4.8	33.6	-56.1	320	5	1.7
Giant Food	24.9	20.3	14.9	27.0	8.5	1.7	20.5	0.5	3,381	113	3.3
Albertson's	23.9	23.1	20.7	12.1	10.6	6.8	23.1	13.9	8,595	251	2.9
Hannaford Bros	20.2	16.0	10.2	39.9	16.9	16.7	20.5	-1.0	1,936	41	2.1
Bruno's	20.0	17.8	12.4	28.5	22.2	8.0	17.9	2.6	2,647	64	2.4
Riser Foods	19.8†	26.6	13.2	60.3	NA	-3.7	NA	48.1	1,011	10	1.0
Winn-Dixie Stores	19.2	20.8	19.5	10.0	3.9	2.7	10.2	16.4	10,124	173	1.7
Smith's Food & Drug	17.7	15.3	9.6	39.4	24.2	9.1	19.6	25.6	2,156	42	2.0
Weis Markets	17.0	13.6	13.4	0.0	4.4	1.7	8.8	-2.1	1,289	83	6.5
Marsh Supermarkets	16.1	15.2	8.8	53.4	7.4	6.0	16.2	3.2	1,075	13	1.2
Schultz Sav-O Stores	16.0	9.6	7.9	32.4	4.6	0.1	11.1	-7.1	481	3	0.7
Delchamps	14.2	12.0	10.1	17.8	6.7	-2.7	17.4	-3.1	940	13	1.4
Great A&P Tea	14.1	9.4	7.3	30.4	11.6	4.5	23.4	-25.0	11,627	114	1.0
Ruddick	13.9	13.7	10.8	21.2	11.7	3.9	13.2	4.2	1,478	27	1.8
Casey's General Store	12.9	12.6	8.9	38.5	13.7	17.1	4.2	26.0	543	10	1.9
American Stores	12.4	19.8	10.0	62.5	11.9	-5.6	NM	75.7	21,315	267	1.3
Ingles Markets	12.4	9.1	6.5	50.9	14.2	4.5	4.8	0.0	1,045	12	1.2
Seaway Food Town	11.8	3.6	4.6	57.6	6.4	4.6	NM	-57.8	571	1	0.2
Village Super Market	9.1	3.8	5.1	41.3	9.8	0.7	-12.5	-54.3	686	2	0.3
Eagle Food Centers	9.1†	def	4.7	59.6	1.3	-1.8	NM	P-D	1,125	-1	def
Dairy Mart	8.6	10.7	8.1	63.3	15.0	6.5	NM	48.3	576	4	0.7
Foodarama Supermkts	7.1	def	4.8	64.8	8.1	6.7	-12.9	P-D	695	0	def
Vons Cos	6.9†	22.7	11.9	60.1	16.6	1.1	NM	77.8	5,373	64	1.2
Kroger	3.0	NE	25.4	235.7	3.6	5.0	-14.2	476.0	21,207	127	0.6

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Norman Brinker scores again

Red Horn

Norman Brinker

The magic touch.

Now 60, Norman Brinker was the man behind Jack-in-the-Box, Steak & Ale and the Pillsbury Restaurant Group during their golden years. After 30 years in the restaurant industry Brinker still appears to have the magic touch. Next to McDonald's, Brinker International has the highest five-year average return on equity—18.7%—of the restaurant chains measured in this survey.

Brinker International (formerly known as Chili's) made the FORBES 200 Best Small Companies list from 1987 through 1990, but it didn't appear in 1991 (FORBES, *Nov. 11, 1991*). But that's only because Brinker—which had latest 12-month revenues of $449 million—had outgrown our definition of a small company.

When Norman Brinker invested in Chili's Grill & Bar in the early 1980s and became its chairman, Chili's was just another hamburger joint. In 1984 the company had 23 restaurants and grossed around $40 million. Today it has 271 restaurants (202 are company-owned) and has stores opening in Mexico and Canada.

All business people talk about focusing on the customer, but Brinker really does it. A Dallas-based management team is always on the road, questioning customers in Brinker outlets and in competitors' shops. Often Brinker participates in this research.

The research often pays off in unexpected ways. Brinker recalls once hearing an older couple say how much they loved Chili's and that they always went to Chili's when their college-age children were home from school. Brinker says the couple meant it as a compliment. "But I took it as a death knell because they were saying that they didn't go to this restaurant on their own," says Brinker. To correct the perception that Chili's restaurants were just for young people, Brinker expanded beyond hamburgers and offered new entrées such as chicken fajitas, ribs and steak.

At heart, Brinker is an innovative merchant who responds quickly to changing consumer tastes. At Chili's, 70% of sales now comes from such items as chicken sandwiches, tuna steak sandwiches and a collection of salads—dishes that weren't even on the menu in 1984. Brinker has also expanded beyond the Chili's concept and now runs a small number of Romano's Macaroni Grill restaurants (Italian food) and Grady's American Grill restaurants (steak and seafood).

Brinker has made good use of computers, too. The company has computerized its labor-and meal-scheduling plans. Food overbuying is minimized by a centralized purchasing program in which a majority of items are ordered from headquarters. There are also exhaustive kitchen staff training programs that teach employees how to minimize waste.

Brinker International was well prepared for the trend away from fast food and the movement toward moderately priced, full-service restaurants. Health-conscious consumers, usually age 35 to 55, are attracted to the varied menus and relaxed atmosphere at Brinkers. "These restaurants are priced only slightly above fast food outlets and yet the customers feel they are getting a lot more for their money," says Steve Rockwell, a restaurant analyst at Alex. Brown & Sons. "They deliver what they promise." –T.G. ■

in serving growing independent chains—outfits that are generally too small to start their own distribution system. The company also owns 102 supermarkets and 46% of Shopko, a 109-store general merchandise chain. (The rest of Shopko was spun off to Super Valu shareholders last October.)

Despite new cost-cutting technologies, such as time and attendance systems for employee scheduling, as well as scanners and electronic price displays, supermarkets aren't doing much better than wholesalers. Price competition has nipped at the margins of large regional chains such as Vons and Ralphs in southern California and Kroger in Dallas. Smith's Food & Drug and Food Lion—both of which have been successful with an everyday low price strategy—are moving into the southern California and Dallas markets.

Big winners from the slowdown in food price inflation last year were several restaurant chains. Shoney's, Brinker International, Morrison and Bob Evans Farms—all of which offer moderately priced casual and family dining—increased their earnings last year.

But fast-food outlets and cafeterias struggled to keep their customer base. "People are becoming increasingly value- and health-conscious and are continually looking for a good deal," observes Steve Rockwell, an Alex. Brown & Sons restaurant analyst. That trend is forcing Wendy's International, Taco Bell and McDonald's to revise their menus and cut prices—painful for their bottom lines. ■

Food distributors	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		**Return on capital**		**Sales**		**Earnings per share**				
Company	**5-year average %**	**latest 12 mos %**	**latest 12 mos %**	**Debt/ capital %**	**5-year average %**	**latest 12 mos %**	**5-year average %**	**latest 12 mos %**	**latest 12 mos $mil**	**latest 12 mos $mil**	**latest 12 mos %**
Natl Convenience	def	def	def	61.7	4.4	-1.9	NM	D-D	1,049	-15	def
Circle K	def	NE	def	219.2	13.1	-3.2	NM	D-D	3,426	-297	def
Penn Traffic	def†	NE	80.7	93.3	48.7	-6.1	NM	D-D	2,720	-11	def
Safeway	NE	NE	12.0	82.5	-7.5	2.3	NM	225.0	15,094	143	1.0
Medians	**13.9**	**12.0**	**10.0**	**41.3**	**10.2**	**2.7**	**6.8**	**0.5**	**1,478**	**13**	**1.2**
Food wholesalers											
Wetterau	19.4	20.0	10.6	61.1	10.7	4.5	10.0	8.0	5,717	52	0.9
Sysco	19.4	18.7	12.6	33.7	23.4	7.3	22.3	13.2	8,301	158	1.9
Super Valu Stores	18.6	16.4	12.5	35.7	7.8	3.7	12.9	6.5	11,838	161	1.4
Super Food Services	14.3	10.0	8.3	37.8	5.2	2.8	5.4	-29.4	1,826	12	0.7
Fleming Cos	11.7	13.0	9.3	45.6	12.6	7.3	3.8	14.9	12,753	111	0.9
Nash Finch	11.6	10.7	9.5	33.3	12.2	-0.4	3.7	1.9	2,337	18	0.8
Rykoff-Sexton	8.9	7.4	6.6	39.7	7.8	2.8	NM	25.8	1,465	14	0.9
Finevest Foods	def*	NE	def	375.5	24.4*	-28.2	NM	D-D	511	-132	def
Richfood Holding	NA	20.8	17.0	35.0	3.1	0.8	NA	98.1	1,022	11	1.1
Medians	**13.0**	**13.0**	**9.5**	**37.8**	**10.7**	**2.8**	**4.6**	**8.0**	**2,337**	**18**	**0.9**
Restaurant chains											
McDonald's	21.9	19.2	11.5	41.8	12.8	3.5	15.2	7.4	6,668	845	12.7
Brinker Intl	18.7	15.6	15.2	2.2	27.4	23.0	29.8	27.0	449	28	6.3
Morrison	16.0	15.6	12.4	15.1	13.7	7.2	18.2	32.5	984	27	2.8
Bob Evans Farms	15.7	15.1	14.6	0.6	13.0	8.7	9.2	27.1	510	35	6.8
Sizzler Intl	14.4	8.2	7.1	6.8	16.4	12.2	25.9	-21.0	515	21	4.1
Carl Karcher	14.2	11.4	10.0	56.2	12.2	2.7	NM	56.3	535	9	1.7
Shoney's	6.7	NE	27.0	188.6	11.3	6.4	-11.2	25.0	973	35	3.6
Wendy's Intl	6.0	10.6	9.5	32.0	-1.7	2.8	95.9†	28.9	1,032	49	4.7
TW Holdings	NA	def	4.1	84.2	21.4	-1.0	NA	NA	3,631	-69	def
Medians	**15.1**	**11.4**	**11.5**	**32.0**	**13.0**	**6.4**	**16.7**	**27.0**	**973**	**28**	**4.1**
Industry medians	**14.2**	**12.0**	**10.0**	**39.7**	**11.6**	**3.5**	**9.0**	**7.0**	**1,465**	**27**	**1.2**
All-industry medians	**13.2**	**9.9**	**7.6**	**32.4**	**11.3**	**3.7**	**4.5**	**-5.9**	**1,436**	**40**	**2.9**

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

FOOD, DRINK & TOBACCO

Profits keep rolling in for these companies. But now even food processors are taking heat from the regulators.

By Edward Giltenan

Cigarettes and alcoholic beverages are perennials on the regulators' hit list. Now packaged-food makers are taking their lumps. Last year a newly vigilant Food & Drug Administration cracked down on brand-name manufacturers for misleading labeling. For example, Procter & Gamble had to remove the word "fresh" from its Citrus Hill Fresh Choice orange juice after the FDA found it was made from concentrate.

But the trouble hasn't slowed down the inexorable forward march of the food processors on our list. They reported latest 12-month return on equity of 17%, nearly double the all-industry median in this survey. Even in a recession, people have to eat. The big question: How much will the slow erosion of brand loyalty eat into the margins of the big players? No one knows for sure. But any drop in domestic margins should be partly offset by the growing demand for American brand names abroad, particularly in Western Europe and Asia.

With the ascension of Michael Miles to the chairmanship of Philip Morris, can there be any doubt that the U.S. tobacco industry has reached full maturity? Miles, formerly head of the company's Kraft General Foods unit, is the first top gun in Philip Morris' 144-year history not to have risen out of the tobacco ranks. Its food businesses now make up half of Philip Morris' $50 billion in sales.

Smoking has been on the decline for years, but cigarettes are so cheap to make that the margins are unbeatable. Philip Morris still gets around two-thirds of its profits

Food, drink & tobacco	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		Return on capital latest 12 mos %	Debt/ capital %	Sales		Earnings per share				
Company	5-year average %	latest 12 mos %			5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Food processors											
General Mills	**52.3**	42.6	23.7	27.6	**8.8**	9.6	**24.2**	21.7	7,330	485	6.6
Ralston Purina	**38.1**	36.9	17.2	53.7	**6.3**	3.9	**2.5**	3.4	7,376	392	5.3
Smithfield Foods	**35.2**	35.4	26.9	23.5	**NM**	10.5	**21.5**	98.5	1,071	30	2.8
Kellogg	**34.9**	31.3	23.5	1.3	**12.0**	16.3	**12.4**	32.4	5,705	596	10.5
Wm Wrigley Jr	**31.4**	31.2	30.6	0.0	**12.4**	4.4	**25.1**	11.5	1,132	126	11.1
CPC International	**27.7**	22.2	15.3	27.5	**5.5**	10.9	**24.4**	0.2	6,165	364	5.9
HJ Heinz	**27.2**	30.7	22.3	9.1	**9.0**	6.4	**14.5**	29.3	6,588	679	10.3
Tyson Foods	**26.2**	21.6	10.4	44.7	**23.4**	2.5	**21.1**	16.0	3,922	145	3.7
Michael Foods	**25.6**	17.7	10.5	31.7	**29.7**	7.3	**29.5**	9.0	452	21	4.6
Quaker Oats	**24.8†**	24.1	14.1	22.5	**12.0**	7.4	**11.5**	19.6	5,521	245	4.4
Gerber Products	**24.2**	28.7	22.1	24.0	**5.1**	1.3	**33.3**	15.6	1,186	119	10.0
McCormick & Co	**24.1**	20.3	14.4	33.5	**8.7**	8.7	**34.6**	21.7	1,397	76	5.5
ConAgra	**23.4**	17.8	15.1	48.3	**24.9**	27.3	**16.0**	8.9	20,343	322	1.6
Savannah Foods	**23.1**	20.2	15.2	22.7	**15.2**	2.4	**31.3**	-13.6	1,222	42	3.4
Thorn Apple Valley	**22.4**	59.1	38.8	25.6	**5.3**	12.2	**NM**	500.0+	811	21	2.6
Universal Foods	**21.3**	22.3	17.6	32.6	**6.7**	-0.5	**28.5**	11.8	834	58	6.9
Lance	**21.3**	17.1	15.4	0.0	**5.0**	0.9	**8.3**	-14.8	447	40	8.9
Sara Lee	**20.7**	24.3	15.1	20.5	**9.1**	4.2	**16.8**	44.2	12,421	692	5.6
Dean Foods	**20.5**	18.9	14.6	24.6	**11.2**	4.5	**13.2**	13.8	2,171	74	3.4
Hershey Foods	**20.0**	15.3	12.2	17.4	**5.1**	6.3	**14.4**	-14.9	2,798	191	6.8
JM Smucker	**19.4**	17.2	16.4	2.0	**12.3**	7.1	**16.2**	5.8	464	32	6.9
Unilever NV	**19.0**	15.0	11.1	18.5	**11.4**	7.8	**19.4**	3.2	42,180	1,822	4.3
Imperial Holly	**17.0**	15.7	11.7	31.9	**30.7**	-2.2	**NM**	6.2	710	21	3.0
Chiquita Brands Intl	**16.6**	15.9	12.5	44.4	**6.3**	7.0	**22.8**	17.5	4,523	122	2.7
Geo A Hormel	**16.4**	16.9	15.5	4.2	**6.8**	5.8	**17.7**	11.9	2,836	86	3.1
Pilgrim's Pride	**15.3**	12.0	7.5	51.2	**17.3**	9.2	**NM**	-21.7	787	12	1.6
Flowers Industries	**15.3**	11.1	8.6	31.8	**3.0**	-0.3	**NM**	-28.1	828	23	2.8
Lancaster Colony	**14.8**	16.3	12.8	26.5	**4.1**	-0.5	**34.2**	50.0	504	23	4.6
Dole	**14.8**	13.3	7.9	30.8	**13.8**	5.3	**31.1**	-0.5	3,190	124	3.9
WLR Foods	**14.8**	7.2	6.5	13.2	**7.7**	-1.4	**NM**	-49.2	493	8	1.7

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Dwayne Andreas of Archer Daniels Midland

In the midst of the recession, he has spent $1.4 billion to keep ADM one step ahead of the competition.

Not a kernel of waste

Dwayne Andreas would like nothing better than to run Archer Daniels Midland as tightly as the Moscow restaurant that sells its VegeBurgers. "They're selling 5,400 patties a day in one store," says Andreas, longtime chief executive of the Decatur, Ill. firm. "It's all they can make."

For its size, ADM is every bit as efficient as that restaurant. The credit goes to Andreas, 73, and his almost maniacal obsession with being the nation's largest and lowest-cost grain processor. That singular drive, along with his impressive political contacts, have helped Andreas build ADM into a powerhouse with $8.7 billion in sales and $485 million in profits.

Consider the mileage ADM gets out of one commodity, corn, which accounts for half of the company's earnings. ADM derives about 30 different products from corn—everything from animal feed to an important component of denim fabric. In the 1970s Andreas was an early believer in high-fructose corn syrup. Derived from cornstarch, HFCS has largely replaced sugar as a soft-drink sweetener. ADM controls 31% of the HFCS domestic market. Andreas was also an early and outspoken supporter of ethanol, the fuel additive that purportedly reduces air pollution. ADM has 65% of the ethanol market.

That kind of focus makes for incredibly efficient production. In spring and summer, when soft-drink demand takes off, ADM's three domestic fructose plants churn day and night. In fall and winter, when competitors' fructose plants slow down, ADM's facilities stay busy pushing out ethanol.

On the Mississippi River, ADM operates a fleet of 2,200 barges for itself and customers. The huge fleet can pick up grain from elevators every three days, much more frequently than the competition. That cuts down on storage costs. "When I look at our company, I see one machine running 24 hours a day, Sundays and holidays," says Andreas. "That's 128 plants and 200 storage facilities, all geared together and running in one continuous hum." Result? ADM's return on capital averaged 9.1% between 1984 and 1990, compared with 6.8% for privately held Cargill, its biggest competitor.

How does Andreas do it? By not being afraid to spend money to keep ahead of rivals. Andreas stepped up his spending in the recession: In the last two years he spent $1.4 billion to modernize plants. Much of that has gone to make amino acids, such as lysine, for improved poultry and hog feed.

ADM's balance sheet is clean: Debt is just 17% of total capitalization. To the chagrin of some shareholders, Andreas prefers to shovel profits back into the company, paying a paltry cash dividend of 10 cents a share. "The key to our success," says Andreas, "is to have enough plans to invest our money the day we make it." –E.G. ■

from tobacco. Brand loyalty remains so powerful that the two top players, Philip Morris and RJR Nabisco, raised prices not twice, as is customary, but three times last year. On the other hand, discount brands, selling for as little as $1 a pack, continue to gain market share. They now account for a quarter of overall volume, according to John Maxwell of Wheat First Securities. Look for the big players to concentrate on foreign markets and to continue expanding their nontobacco businesses.

Despite the usual flat-to-declining volume, beer and soft-drink stocks had another good year. Philip Morris (with its Miller Brewing Co.), Anheuser-Busch Cos. and PepsiCo posted latest 12-month return on equity of more than 20%. Coca-Cola notched an astounding 41% return. Excise taxes on beer doubled, driving volume down 2% on the year.

Again, healthy foreign demand should soften the sluggishness prevailing at home. Number three brewer Adolph Coors plans to build a brewery in South Korea. And PepsiCo plans to attack Coke's dominance in Mexico, possibly by buying the country's largest Pepsi bottler, Grupo Escorpion. ■

Food, drink & tobacco	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		**Return on capital latest 12 mos %**	**Debt/capital %**	**Sales**		**Earnings per share**				
Company	**5-year average %**	**latest 12 mos %**			**5-year average %**	**latest 12 mos %**	**5-year average %**	**latest 12 mos %**	**latest 12 mos $mil**	**latest 12 mos $mil**	**latest 12 mos %**
Archer Daniels	**14.6**	12.9	10.5	17.8	**10.0**	8.9	**16.2**	2.6	8,690	485	5.6
Pioneer Hi-Bred Intl	**14.2**	16.4	15.1	8.5	**4.7**	16.6	**10.3**	47.6	1,125	104	9.3
Borden	**13.8**	19.2	13.1	41.4	**11.4**	-5.3	**14.6**	-1.6	7,284	354	4.9
Seaboard	**13.6**	8.5	6.8	22.1	**10.3**	42.5	**16.4**	-27.7	753	19	2.5
Hudson Foods	**11.9**	6.5	4.9	35.4	**24.2**	14.8	**NM**	-3.3	765	9	1.1
Campbell Soup	**11.2**	24.7	17.3	27.1	**8.5**	-1.9	**NM**	500.0+	6,157	426	6.9
Intl Multifoods	**10.8**	11.7	9.0	26.6	**11.1**	2.9	**NM**	43.8	2,214	38	1.7
Curtice Burns Foods	**10.3**	2.7	5.0	65.8	**10.3**	-1.2	**-13.2**	-52.4	926	3	0.3
IBP	**9.5†**	0.2	2.6	48.6	**9.8**	6.1	**NM**	-98.1	10,445	1	0.0
American Maize	**4.7**	4.6	7.1	33.1	**2.3**	4.9	**NM**	179.5	520	7	1.3
ERLY Industries	**def**	def	def	87.7	**25.2**	-15.6	**NM**	P-D	347	-7	def
Interstate Bakeries	**NA**	NE	8.9	53.2	**10.9***	1.1	**NA**	D-D	1,112	-6	def
Pet	**NA**	9.4	7.4	55.9	**17.4***	-2.1	**NA**	NA	1,871	44	2.4
Medians	19.4	**17.1**	**13.1**	**27.1**	10.0	**5.3**	14.6	**8.9**	**1,397**	**74**	**3.9**
Beverages											
Coca-Cola	**41.9**	41.2	34.1	18.9	**10.9**	13.3	**19.6**	-13.5	11,249	1,554	13.8
PepsiCo	**28.2**	21.7	12.4	51.2	**17.3**	11.5	**18.4**	6.9	19,123	1,075	5.6
Anheuser-Busch Cos	**23.8**	21.8	12.8	30.4	**8.5**	6.2	**16.1**	10.3	11,013	922	8.4
Brown-Forman	**22.3**	22.4	17.5	13.0	**0.9**	13.9	**11.8**	8.0	1,191	146	12.2
Seagram	**13.8**	11.7	10.0	25.5	**20.5**	9.3	**18.2**	0.1	5,106	701	13.7
Coca-Cola Enterprises	**5.8***	3.0	4.1	54.9	**25.6**	0.7	**NM**	-40.0	4,038	54	1.3
Adolph Coors	**3.5**	2.7	2.4	7.9	**8.6**	-1.2	**-16.8**	-20.4	1,886	29	1.6
Coca-Cola Bottling	**def**	def	3.6	59.6	**3.1**	7.1	**NM**	D-D	452	1	0.1
Whitman	**NA**	21.2	8.4	58.8	**11.6**	4.8	**NM**	D-P	2,361	82	3.5
Medians	18.1	**21.2**	**10.0**	**30.4**	10.9	**7.1**	11.8	**0.1**	**4,038**	**146**	**5.6**
Tobacco											
UST Inc	**39.7**	50.6	48.1	0.0	**9.4**	17.9	**19.8**	21.0	859	254	29.6
Philip Morris Cos	**35.2**	34.3	16.2	49.6	**27.5**	18.4	**24.5**	16.3	50,139	4,106	8.2
American Brands	**21.2**	16.0	11.2	35.4	**12.1**	13.1	**14.8**	-25.4	8,639	597	6.9
Hanson	**20.7**	13.6	10.0	37.0	**26.8**	14.2	**27.8**	-3.8	13,839	1,786	12.9
Dibrell Brothers	**20.4**	26.1	12.4	64.7	**26.8**	33.4	**14.9†**	87.8	1,061	23	2.2
Culbro	**6.0**	def	3.1	49.2	**NM**	11.8	**-36.6**	P-D	990	-1	def
Std Commercial	**4.1**	12.8	11.2	16.0	**14.9**	14.1	**-17.3**	193.5	1,125	15	1.3
Brooke Group	**def***	NE	def	201.8	**45.1***	34.8	**NM**	P-D	1,061	-91	def
RJR Nabisco	**NA**	7.2	8.7	58.2	**4.7***	7.1	**NA**	NA	14,700	269	1.8
Universal	**NA**	27.8	17.2	35.0	**13.2***	19.6	**17.7***	33.0	2,948	67	2.3
Medians	20.6	**14.8**	**11.2**	**43.1**	14.1	**16.1**	14.9	**16.3**	**2,037**	**161**	**2.2**
Industry medians	20.0	**17.0**	**12.4**	**30.6**	10.6	**7.0**	14.8	**7.4**	**2,029**	**79**	**3.8**
All-industry medians	13.2	**9.9**	**7.6**	**32.4**	11.3	**3.7**	4.5	**-5.9**	**1,436**	**40**	**2.9**

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

The companies that make packaging materials, paper and lumber just finished a dismal year. This one may not be much better.

By Linda Killian

Construction and publishing—this industry's largest customers—are two of the biggest recession victims. So it's not surprising that forest products and paper companies are in trouble. Earnings peaked in the second quarter of 1989 and have been sliding ever since. Latest 12-month profits were down approximately 60% compared with 1990. A mild recovery, at best, is expected for the paper business in 1992; lumber may make a stronger comeback.

A big increase in capacity over the last three years and a decrease in demand drove down the price of some types of wood pulp 40%, to $480 a ton by year-end. Except in recycling, capacity growth will be slow in the next few years.

One bright spot was bleached board, used for consumer packaging. Last summer manufacturers were able to pass along a 5% price increase. Uncoated printing papers and

Turning paper into money

LIKE EVERY other paper company's, Union Camp Corp.'s earnings were down last year. But thanks to its strong position in linerboard and its efficient operations, the Wayne, N.J.-based company should have a pretty good year in 1992.

Chalk that up to conservative management. In the 1980s, when many competitors were loading up with debt or making aggressive acquisitions, "We were putting our money back into our business," says Chairman and Chief Executive Raymond E. Cartledge.

Capital investments of $2.3 billion in the last four years have increased Union Camp's production capacity by 26%. At its Alabama linerboard mill, the company reduced its man-hours per ton of paper produced by 22%. Similar savings are expected at two other mills that it recently modernized. Cartledge, 62, claims $2.8 billion (sales) Union Camp is now the most cost-effective producer in the world in its two main products—linerboard and uncoated business papers.

Fully 35% of Union Camp's sales come from linerboard and corrugated containers, enough to give it more than a 7% share in the linerboard market and make it the fourth-largest U.S. producer. It's also a major exporter of linerboard, shipping 260,000 tons a year to overseas markets. Foreign demand for linerboard is expected to grow twice as fast as domestic demand.

Like all U.S. paper companies, Union Camp is under pressure to meet tougher environmental regulations. But Cartledge uses the forced plant upgrades as an opportunity to make things more efficient. Union Camp recently developed a process to bleach pulp using ozone instead of chlorine. The process reduces effluent and uses less water and chemicals, and it reduces bleaching costs at least 30%.

By increasing the amount of recycled fibers used in its linerboard, Union Camp expects to save $16 million annually in capital costs at one mill alone. When its Savannah, Ga. pulping plant was throwing off a strong sulfur odor, "rather than put a Band-Aid on the problem, we enlarged and modernized the plant, and decreased our costs by 12%," says Cartledge.

Union Camp's Raymond Cartledge

Running fast, efficient mills.

With a strong balance sheet, Union Camp may be ready for acquisitions. It bought Chase Bag (sales, $150 million) in 1990, but Cartledge wants to buy other companies. "I'm ready and able to compete and win anywhere in the world," he says. –L.K. ■

linerboard also did well. Linerboard exports were up 15% over 1990; this should be the strongest-performing paper sector in 1992. Companies like Union Camp, Stone Container and Temple-Inland will benefit.

Wood and forest products had a dismal year, but they could stage a recovery in 1992 if the supply of timber is sharply reduced. That could happen if federal timber sales are cut back in the Pacific Northwest and there's an end to below-cost timber sales by the U.S. Forest Service. Neither of these moves is certain. But if they happen and there's any kind of rebound in housing starts this year, there could actually be some lumber shortages by 1993.

Boise Cascade and many smaller private companies heavily reliant on government-owned wood could suffer if supplies tighten and prices rise. But Georgia-Pacific, Weyerhaeuser and Louisiana-Pacific—all of which have their own wood supplies—could triple their earnings by 1993. In early December 1,000 board feet of lumber was selling for $235. That could approach $300 by spring and go much higher by 1993 if demand picks up at the same time the supply is reduced.

The packaging industry, less sensitive to economic swings, hasn't fared too badly in the recession. Demand for consumer packaging was up slightly last year; can and plastic-bottle makers benefited from a decline in the cost of their raw materials: aluminum, steel and resin. Crown Cork & Seal's $800 million in acquisitions, including Continental Can's U.S. and Canadian operations, doubled its size. The Philadelphia-based company, which last paid a dividend in 1956, now has 25% of the U.S. beverage can market and should post close to a 20% earnings gain in 1991 and in 1992. ■

Forest products & packaging	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		Return on capital latest 12 mos %	Debt/capital %	Sales		Earnings per share				
Company	5-year average %	latest 12 mos %			5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Paper & lumber											
PH Glatfelter	**25.1**	19.5	16.6	0.0	**20.7**	-4.1	**23.5**	0.6	585	81	13.9
Federal Paper Board	**24.1**	11.7	5.8	48.4	**11.6**	8.3	**63.0**	-37.9	1,461	100	6.8
Willamette Inds	**21.0**	4.3	3.8	34.3	**12.3**	0.0	**21.9**	-74.7	1,921	43	2.2
Consolidated Papers	**20.4**	10.9	9.4	11.0	**8.1**	-5.8	**11.6**	-35.9	902	100	11.1
Pope & Talbot	**19.5**	0.3	1.0	21.6	**15.4**	-11.3	**28.7**	-98.2	516	0	0.1
Georgia-Pacific	**18.7**	2.1	3.5	52.2	**13.1**	-2.1	**26.7**	-86.4	11,789	61	0.5
Albany International	**18.6**	2.9	2.6	46.2	**13.4**	5.6	**NM**	-63.2	567	7	1.3
Union Camp	**16.4**	8.0	4.3	34.7	**9.4**	4.9	**25.1**	-34.5	2,937	157	5.4
Potlatch	**15.7**	4.9	4.3	32.3	**6.4**	-4.2	**25.3**	-67.0	1,224	44	3.6
Bowater	**14.5**	6.1	4.3	24.8	**10.9**	-5.7	**10.6**	-39.6	1,316	62	4.7
International Paper	**14.3**	6.5	4.7	29.4	**24.5**	0.6	**38.7**	-51.2	12,748	368	2.9
Chesapeake	**12.9**	3.6	3.5	49.9	**12.3**	-1.5	**13.2**	-55.3	836	11	1.4
Westvaco	**12.8**	8.5	5.9	31.0	**5.8**	-4.5	**6.0**	-27.6	2,301	137	6.0
Mead	**12.6**	def	0.3	42.1	**11.8**	-2.0	**NM**	P-D	4,620	-36	def
Louisiana-Pacific	**12.3**	3.4	3.1	24.1	**11.9**	-14.0	**29.9**	-69.6	1,663	43	2.6
Boise Cascade	**11.6**	def	0.6	46.8	**3.1**	-5.5	**NM**	P-D	4,002	-59	def
Weyerhaeuser	**11.0**	6.0	4.2	50.0	**8.2**	8.9	**14.1**	26.1	8,659	231	2.7
Champion Intl	**10.9**	0.8	2.4	38.6	**NM**	-5.5	**11.9**	-89.2	4,823	57	1.2
Medians	**15.1**	**4.6**	**4.0**	**34.5**	**11.7**	**-4.2**	**18.0**	**-59.2**	**1,792**	**59**	**2.6**
Packaging											
Stone Container	**23.5**	def	4.7	69.0	**36.0**	-5.0	**26.0**	P-D	5,471	-3	def
Longview Fibre	**22.0**	5.0	4.5	42.8	**9.6**	-4.4	**24.3**	-59.4	654	24	3.6
Sonoco Products	**18.1**	18.9	13.1	26.8	**15.6**	2.2	**7.4**	104.5	1,680	97	5.8
Temple-Inland	**18.1**	11.2	7.9	32.4	**14.9**	7.3	**29.5**	-28.2	2,485	163	6.6
Bemis	**17.7**	16.9	11.4	27.2	**7.7**	5.5	**20.9**	1.0	1,154	50	4.4
Crown Cork & Seal	**14.3**	13.0	10.0	30.5	**12.7**	41.1	**11.9**	16.0	3,779	124	3.3
Constar Intl	**14.0**	10.5	8.5	20.6	**2.5**	5.3	**8.8**	0.5	533	15	2.8
Ball Corp	**10.9**	11.1	8.5	31.0	**4.2**	49.2	**-8.0**	10.0	2,032	59	2.9
St Joe Paper	**9.7**	2.9	3.3	3.6	**5.7**	-6.1	**NM**	-45.0	575	23	4.1
Sealed Air	**8.1**	NE	29.3	145.8	**18.9**	5.8	**-12.1**	45.9	426	15	3.4
Kerr Glass Mfg	**def**	def	4.1	66.8	**4.1**	-0.6	**NM**	D-D	295	-1	def
Gaylord Container	**def***	def	def	97.8	**11.7***	0.8	**NM**	D-D	724	-180	def
Medians	**14.2**	**8.3**	**8.2**	**31.7**	**10.7**	**3.7**	**8.1**	**-13.9**	**939**	**24**	**3.4**
Industry medians	**14.4**	**5.5**	**4.3**	**33.3**	**11.6**	**-1.8**	**12.6**	**-48.1**	**1,562**	**47**	**2.9**
All-industry medians	**13.2**	**9.9**	**7.6**	**32.4**	**11.3**	**3.7**	**4.5**	**-5.9**	**1,436**	**40**	**2.9**

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

The good news? This group's return on equity is still way above average. The bad news? The politicians have noticed the profits.

By Mary Beth Grover

Health stocks are hot. Through mid-November 1991, drug companies outperformed the S&P 500 by a 2-to-1 margin, health maintenance organization stocks doubled and biotechnology stocks nearly tripled. Investors might be happy, but Washington isn't. Indeed, the 1992 election campaign portends a war against national health care costs, which are now nearly $700 billion and growing rapidly.

"Everyone is bent out of shape over cost containment," says Smith Barney analyst Christina Heuer, who points out that, as of mid-December, this worry has pushed down drug stocks' relative P/Es to the market multiple, from twice that figure 20 years ago. And as trade barriers come down in Europe, drug companies will no longer be

Health	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Drugs											
American Home Prods	60.6	49.7	37.1	3.4	5.2	1.0	NM	10.0	6,873	1,331	19.4
Syntex	51.1	48.6	38.9	21.4	12.2	18.0	17.8	18.5	1,871	431	23.0
Merck	48.9	53.1	43.8	9.4	16.7	14.4	30.4	20.9	8,388	2,034	24.3
Warner-Lambert	40.0	38.7	29.4	14.9	8.7	10.8	15.9*	14.9	4,967	543	10.9
Marion Merrell Dow	38.8	41.2	40.0	6.2	37.2	24.8	18.8	37.9	2,708	568	21.0
Abbott Laboratories	35.3	37.3	31.4	3.9	12.7	13.5	18.2	15.0	6,700	1,054	15.7
Glaxo Holdings	33.6	27.7	25.4	3.7	20.1	9.5	17.6	1.7	5,441	1,362	25.0
Schering-Plough	26.4	30.7	26.0	8.2	11.0	7.6	22.4	19.5	3,550	627	17.7
Bristol-Myers Squibb	26.2*	36.7	34.0	2.6	11.9	10.4	14.5*	106.0	10,958	1,971	18.0
Eli Lilly	26.0	32.5	30.4	8.5	8.2	14.4	16.5	16.3	5,597	1,259	22.5
Upjohn	18.6	25.3	20.5	10.7	8.5	11.9	9.5	144.4	3,311	522	15.8
Pfizer	18.0	16.8	15.7	2.9	9.3	12.6	5.5	18.5	6,885	876	12.7
Bergen Brunswig	15.8	14.0	11.1	29.8	9.6	8.9	21.4	3.3	4,838	64	1.3
Cardinal Distribution	15.8	11.3	8.9	30.6	19.5	38.5	15.6	31.5	1,368	21	1.5
Durr-Fillauer	14.5	15.0	16.0	34.3	13.5	14.9	18.0	14.3	908	19	2.1
Rhone-Poulenc Rorer	13.1	59.2	18.8	62.5	40.5	72.1	10.7	D-P	3,817	365	9.6
McKesson	11.8	11.3	9.8	25.9	5.6	12.2	3.3	5.8	9,163	101	1.1
Imcera Group	9.4	10.0	7.1	21.9	NM	10.1	46.4*	34.5	1,640	96	5.9
Bindley Western Inds	9.2	17.1	12.4	46.1	27.3	21.2	NM	111.3	2,287	10	0.5
National Intergroup	def	1.4	3.9	25.8	NM	11.1	NM	D-P	3,124	12	0.4
Medians	**22.3**	**29.2**	**23.0**	**12.8**	**11.4**	**12.4**	**16.2**	**19.0**	**4,328**	**533**	**14.2**
Health care services											
FHP International	39.5	18.2	16.4	9.6	37.8	28.5	33.9	19.4	1,367	37	2.7
PacifiCare Health	26.1	30.4	31.3	0.7	59.8	31.3	33.3	47.4	1,173	24	2.0
US Healthcare	24.7	58.4	60.2	0.0	28.0	27.5	NM	156.6	1,558	141	9.0
National Health Labs	22.0*	38.2	35.2	0.0	24.2	19.2	32.9	25.3	576	98	17.0
Humana	21.5	20.2	15.4	30.5	18.2	20.9	35.5	10.1	5,865	355	6.1
National Medical	18.2	19.6	10.6	32.3	6.9	1.6	30.0	12.8	3,896	289	7.4
United HealthCare	16.5	45.3	45.3	1.7	36.1	38.8	NM	87.5	741	64	8.6
Manor Care	12.5	14.7	8.2	56.6	11.5	15.8	NM	21.6	846	34	4.0
Lifetime	10.4	13.1	12.5	47.2	64.2	25.4	48.1*	13.3	831	20	2.5
Universal Health	5.4	11.1	7.0	38.8	9.5	10.0	-6.9	62.7	676	19	2.8
Beverly Enterprises	def	4.7	5.8	51.0	3.5	6.8	NM	83.3	2,241	25	1.1
Foundation Health	NE	def	48.7	1.5	55.0	8.9	NM	50.3	986	31	3.2
American Medical	NA	def	5.9	81.0	NM	0.5	NA	D-D	2,546	-19	def
Hillhaven	NA	1.2	4.4	70.2	8.3	9.4	NA	NA	1,254	2	0.1
Medians	**17.3**	**16.5**	**13.9**	**31.4**	**21.2**	**17.5**	**11.6**	**25.3**	**1,214**	**33**	**3.0**

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

required to run manufacturing facilities in the countries they do business in, thereby eliminating excess capacity. Heuer recommends Glaxo, Merck, Pfizer and Syntex because of promising new products.

As the government and managed health care providers try to stem drug costs, drug companies are responding with their own cost-cutting efforts. Merck, for instance, thinks it can offset price concessions given to large health care organizations by reducing the size of its sales force. The Food & Drug Administration is leaning toward speeding up its approval process. A change here would substantially reduce the 10 to 12 years and more than $230 million in research and development costs typically necessary to get a new drug from the laboratory to the market.

Advances in laparoscopy—in which doctors make small incisions and use miniature instruments and cameras to do gall bladder surgery, hernia surgery and sometimes even appendectomies, hysterectomies and other operations—were the big news in 1991. By 1995 laparoscopy should be a $2 billion market, figures Cowen & Co.'s Daniel Lemaitre. U.S. Surgical leads this field, and Johnson & Johnson is getting started in it.

It's hard to find much in the way of earnings in the biotechnology stocks. One exception is Amgen, which wasn't profitable when it went public in 1983. But worldwide sales of its Epogen red blood cell stimulator are expected to exceed $800 million in 1991. Of that, Amgen will get $400 million, plus royalties. In the first ten months of 1991, investors in search of the next Amgen poured

Diversity and synergy

ANY WAY you look at it, Abbott Laboratories stacks up well against the competition. North Chicago-based Abbott spends just 21% of its estimated $7 billion 1991 sales on selling, general and administration costs. Competitor Johnson & Johnson spends nearly twice that amount. Cowen & Co.'s analyst Daniel Lemaitre estimates Abbott's pretax margin at 22%—about twice those of Baxter International, C.R. Bard and Becton Dickinson.

What's Abbott's secret? Diversity, for one thing. Abbott has a big or leading market share in infant formula, in-vitro diagnostics, medical nutritional products, intravenous fluids and anti-infective pharmaceuticals. So when it comes to marketing and distributing, Abbott is able to realize enormous efficiencies.

For example, a few years ago Abbott's $1.5 billion (1990 revenues) diagnostics division came out with TestPack, an easy-to-use testing product that allows doctors to test for strep throat and pregnancy right in their offices.

The problem was that the diagnostics sales force, which called on hospitals and clinical laboratories, didn't have the manpower to call on individual doctors. The solution? Have the drug sales force sell the new kits. Abbott is now the world market leader in the $1 billion doctors' office diagnostics market, supplying physicians with test kits.

It is also a world leader in the $10 billion diagnostics market, which includes the $4 billion immunology diagnostics market for screening diseases such as hepatitis, AIDS and cancer.

Abbott continues to invest strongly in its growing pharmaceutical and diagnostics divisions. Ultimately, this should offset declining margins for the infant formula division, which is under pricing pressure from the government and competitors.

As with all drug companies, research at Abbott is a big-ticket item. Last year alone, Abbott spent an estimated $770 million on research. Such expenditures grew at a compound rate of 19% for the last five years, exceeding the compound growth rate for sales over the same period. That kind of investing has cut into Abbott's earnings-per-share growth: While profits grew at a record 20% rate in 1988, they will probably increase only 15% a year for the next several years.

But Chief Executive Duane Burnham, 49, sees nothing wrong with that kind of progress. Neither would many other chief executives of corporations as large as Abbott Laboratories.

–M.B.G.

Abbott's chairman, Duane Burnham

Balancing growth with investing.

over $1 billion into the 32 largest biotech initial public offerings.

Although some of the new biotech issues will probably bomb, Prudential Securities' Joseph Edelman expects biotechnology to be one of the fastest-growing industries in history. He thinks industrywide revenues could grow to $40 billion by the end of the decade; current revenues are about $4 billion. His advice? Stick with stocks of companies like Centocor, Synergen and Chiron, all of which have some clinical data to back up their claims.

Health	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity		Return on capital latest 12 mos %	Debt/ capital %	Sales		Earnings per share				
Company	5-year average %	latest 12 mos %			5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Medical supplies											
Johnson & Johnson	27.7	28.4	23.2	17.3	11.8	10.9	23.9	27.5	12,093	1,419	11.7
Medtronic	22.5	20.5	20.7	1.0	19.8	19.9	18.5	12.9	1,053	139	13.2
US Surgical	21.5	29.4	22.6	40.8	21.5	66.3	33.8	76.1	755	77	10.2
Hillenbrand Inds	20.3	19.0	14.7	16.0	16.7	5.2	18.1	14.7	1,157	83	7.2
VWR	20.2	19.9	10.9	60.5	12.8	3.2	6.4	14.9	435	7	1.6
CR Bard	19.3	15.3	13.7	16.5	11.6	8.8	4.8	25.3	847	53	6.2
Bausch & Lomb	17.7	17.4	14.8	11.7	18.6	11.0	14.7	15.8	1,478	146	9.9
Becton Dickinson	17.4	14.6	10.3	32.2	9.9	7.9	13.1	4.1	2,172	190	8.7
Corning	16.2	15.4	12.6	23.1	10.8	15.4	19.1	4.2	3,206	298	9.3
American Cyanamid	15.0	13.6	11.7	11.5	6.1	8.7	19.7	6.6	4,984	349	7.0
Beckman Instruments	13.8*	11.6	10.6	13.7	8.7	7.7	NM	2.4	850	38	4.4
Angelica	13.1	12.7	11.0	22.7	8.7	5.8	4.8	3.9	427	22	5.3
Owens & Minor	9.6	12.9	10.2	40.2	27.0	8.8	NM	78.8	1,284	11	0.9
Baxter International	7.5	15.5	12.4	31.8	22.6	10.4	NM	D-P	8,705	585	6.7
Westmark Intl	5.3*	5.5	5.9	4.5	21.0	0.7	NM	-11.0	482	16	3.4
Perkin-Elmer	0.0	def	def	17.0	-10.1	1.1	NM	P-D	868	-16	def
Allergan	NA	def	def	20.5	23.6	7.2	NA	P-D	911	-62	def
Henley Group	NA	def	def	61.2	28.4†	-11.2	NM	D-D	1,689	-557	def
Medians	16.8	14.9	11.4	18.9	14.8	8.3	6.4	9.7	1,105	65	6.5
Industry medians	17.9	16.9	14.2	18.9	12.5	10.8	14.7	18.5	1,780	90	6.5
All-industry medians	13.2	9.9	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9
Biotech											
Diagnostic Products	24.1	20.9	22.3	0.0	27.4	19.7	30.3	14.4	87	19	22.4
ICN Biomedicals	15.9	7.4	5.3	22.8	40.3	-9.0	22.2*	-51.2	109	4	4.1
Life Technologies	14.4	11.0	11.4	0.0	11.9	14.8	NM	-2.0	166	15	8.7
Applied BioScience	13.3	20.4	18.1	2.9	33.8	23.0	37.8	72.9	109	12	10.6
ALZA	11.3	13.1	7.9	33.4	17.8	31.1	28.4	32.8	122	33	27.0
Immucor	10.4	12.5	14.2	0.0	25.4	81.6	52.4	33.5	23	3	14.1
Molecular Biosystems	8.3	3.0	4.2	5.6	65.3	4.7	NM	-8.3	13	1	10.1
Amgen	7.2	8.3	9.8	2.7	79.6	104.4	NM	-46.9	646	40	6.3
Applied Biosystems	6.8	2.0	1.9	7.0	25.1	5.5	NM	D-P	168	3	1.9
Cordis	4.7	14.0	12.6	16.2	4.7	17.0	NM	-9.5	203	11	5.4
IGI	2.5	1.7	3.0	33.1	1.7	9.6	-44.5*	Z-P	22	0	0.5
Collagen	1.2	def	def	19.1	26.2	8.8	NM	P-D	60	-7	def
Gamma Biologicals	def	6.1	6.9	6.6	NM	-6.9	NM	-4.8	16	1	5.5
Biogen	def	3.0	6.0	0.0	32.7	36.6	NM	300.0	60	9	14.7
Synergen	def	def	def	3.9	NM	-54.0	NM	D-D	5	-8	def
California Biotech	def	def	def	0.0	10.6	-35.1	NM	D-D	9	-8	def
Genentech	def	8.2	6.2	13.9	41.7	9.8	NM	D-P	477	61	12.9
Genetics Institute	def	def	def	0.0	22.7	91.3	NM	D-D	68	-21	def
Chiron	def	8.5	7.3	31.0	58.6	78.6	NM	D-P	110	12	10.8
Collaborative Research	def	def	def	0.7	-4.6	0.1	NM	D-D	9	-2	def
Genzyme	def	0.0	1.5	0.6	39.3	111.1	NM	D-Z	91	3	3.6
Cambridge Biotech	def	def	def	12.7	34.1	22.2	NM	D-D	26	-4	def
Synbiotics	def	def	def	0.3	34.0	-28.1	NM	D-D	7	-6	def
Repligen	def	def	def	0.0	20.3	-30.0	NM	D-D	7	-7	def
Calgene	def	def	def	7.9	25.6	-15.0	NM	D-D	26	-28	def
Centocor	def	def	def	41.0	28.8	-24.7	NM	P-D	53	-284	def
Immunex	def	def	def	9.8	62.7	26.8	NM	D-D	40	-10	def
Enzo Biochem	def	def	def	64.9	24.5	2.0	NM	D-D	20	-11	def
XOMA	def*	def	def	1.1	26.4	-1.1	NM	D-D	19	-31	def
Medians	def	1.7	1.9	5.6	26.2	9.6	NM	-51.2	53	1	1.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. Z-P: Zero to profit. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95. Note: Medians for the Biotech industry are not included in this Health industry and the all-industry medians.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

The big failures of last year cast a pall on insurers. Now the industry is struggling to restore its credibility.

By Carolyn T. Geer

Last year was one the insurance industry would just as soon forget. Regulators took over four major life insurers—with the attendant publicity as unprecedented as the size of the failures. The insurance units of First Executive Corp. and First Capital Holdings Corp. went under when the junk bonds that made up much of their portfolios dropped sharply in value. Bad real estate investments toppled Mutual Benefit Life Co. and the parent of Monarch Life Insurance Co. Concerns about the quality of assets plagued the entire industry. Moody's and Standard & Poor's responded with a rash of downgrades.

Some companies dumped their junk bonds near the bottom of a market that has since rallied sharply. Now the insurance industry faces other problems. Commercial mortgage loan portfolios continue to deteriorate. Delinquencies reached an alltime high of 5.6% in 1991 and could hit 7% this year. State regulators are now requiring life insurers to set up special reserves for all their assets, not just securities.

Life insurance stocks recovered somewhat from the pounding they took in 1990. But they're still trading near their 20-year low on a relative P/E basis. Robinson-Humphrey Co. insurance analyst Thomas Rosencrants thinks there are some good values here. He particularly likes companies with above-average quarterly earnings

Insurance	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		Return on capital		Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	latest 12 mos %	Debt/ capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Diversified											
Loews	22.2	15.0	12.4	21.6	12.3	8.6	12.6	-8.4	12,522	749	6.0
Reliance Group	21.5	def	def	69.9	9.9	-15.9	NM	P-D	3,160	-217	def
American Intl Group	19.6	15.7	12.7	35.1	20.5	10.2	23.7	5.6	16,702	1,535	9.2
Leucadia National	19.1	10.4	11.0	27.8	33.4	23.9	NM	-65.1	835	28	3.3
Safeco	17.9	13.5	12.4	14.1	6.4	6.3	12.8	1.7	3,185	268	8.4
Aon	16.7	15.6	12.0	19.4	12.0	16.4	4.1	-1.6	2,906	236	8.1
Cincinnati Financial	15.2	14.5	14.7	0.0	10.3	10.7	15.2	17.2	1,138	148	13.0
Old Republic Intl	14.9	15.2	13.8	14.9	5.2	8.5	7.5	14.3	1,344	120	8.9
CNA Financial	14.7	9.8	9.9	8.0	15.5	11.6	6.7	22.4	10,745	433	4.0
Transamerica	12.2	6.9	6.6	67.5	6.8	4.4	6.6	-35.2	6,875	208	3.0
Kemper	12.0	12.5	11.8	10.8	8.7	5.4	27.7	NM	3,061	207	6.8
Aetna Life & Cas	11.1	7.8	7.4	11.9	3.7*	-5.6	NM	-6.3	18,543	554	3.0
Uslico	11.0	6.1	6.0	22.8	15.0	-9.9	NM	-32.0	416	19	4.7
Lincoln National	10.2	10.3	9.4	11.9	13.6	6.8	NM	8.7	9,051	252	2.8
Independent Insurance	9.7	8.8	8.3	3.3	5.8	5.6	12.1	5.8	573	30	5.3
Cigna	9.6	8.7	8.4	14.0	6.9	7.2	-13.0*	25.3	18,766	460	2.5
American Bankers	9.4	18.0	13.3	30.5	6.6	4.8	NM	47.0	768	36	4.6
Sears, Roebuck	9.0	7.1	6.1	49.4	6.7	2.2	-4.3	-13.8	56,832	971	1.7
Unitrin	7.5†	7.3	7.3	0.0	2.3*	3.9	NM	26.4	1,247	137	11.0
Travelers	3.1	8.5	8.2	14.6	NM	-1.8	NM	D-P	11,505	377	3.3
Medians	**12.1**	**10.1**	**9.6**	**14.8**	**7.8**	**5.9**	**-0.1**	**5.7**	**3,173**	**222**	**4.7**
Life & health											
Conseco	43.1	53.6	19.6	66.0	82.1	68.7	65.6	191.6	1,196	88	7.4
Torchmark	26.6	26.2	17.2	37.8	4.6	9.3	13.5	0.9	1,900	230	12.1
American Family	17.9	17.7	9.3	9.1	22.2	22.9	9.3	27.4	3,137	141	4.5
Capital Holding	17.4	16.6	14.0	25.9	14.0	9.3	6.1	35.7	2,717	243	9.0
UNUM	13.0*	16.2	15.4	5.2	9.3	16.7	41.0†	18.5	2,397	201	8.4
Provident Life & Acc	12.7	10.8	10.2	13.0	9.9	5.4	5.3	-19.8	2,815	145	5.2
American General	11.4	10.8	8.6	46.5	6.6	-1.5	3.5	-11.4	4,402	467	10.6
NWNL	11.3	8.5	8.5	25.0	5.6	0.9	4.9	-13.2	1,367	47	3.4
Jefferson-Pilot	10.5	12.6	12.5	0.0	0.7	1.4	6.7	15.2	1,169	170	14.5
Liberty Corp	10.4	9.7	8.7	34.1	6.0	-0.8	NM	-25.6	351	26	7.4

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

growth (better than 10%) and superior asset quality, such as Capital Holding and UNUM.

Health insurers enjoyed three years of generally improving profitability, with premiums outpacing rising medical-claims costs, though there's some concern that earnings have peaked. Of course, the big issue for health insurers in this election year is how successful politicians will be in pressing for more affordable, more available health care coverage.

Property and casualty insurance remained in the doldrums in 1991, with insurers paying out an estimated $1.11 for every dollar of premium they wrote. This time personal lines like auto insurance weren't the problem; commercial lines were. Too many insurers chasing too

"To hell with efficiency"

Steve Smith/Onyx

20th Century's James Curley

Selling insurance by phone is his number.

WOODLAND HILLS-based 20th Century Industries is a model of efficiency. It writes private passenger auto and homeowners insurance exclusively in California, selling by telephone direct to consumers. That eliminates agent commissions, so selling costs are minimal—a mere 1% of premiums, versus about 15% for agent-sold auto policies.

The company almost never advertises, relying instead on word-of-mouth. Fully 80% of new auto insurance customers and 60% of new homeowner customers are referred by existing policyholders. Policies are processed in one highly computerized central building, while damaged cars can be driven or towed to one of several company-owned inspection centers. And of course the company tries to insure good drivers, which keeps claims costs down.

All of this penny-pinching allows 20th Century to charge some of the lowest rates around. So why does the California Department of Insurance want the company to give back some $106 million to policyholders? Simply put, the company is too profitable.

Fed up with high prices, California voters in 1988 passed an initiative calling for insurers to roll back rates. A court later ruled that insurers must be allowed a fair rate of return. Now Insurance Commissioner John Garamendi is forcing insurers to refund $2.5 billion to California policyholders for premiums they paid from November 1988 to November 1989. Among other things, the state has set the maximum rate of return on equity for all companies at 10% for that period. Anything over that has to be refunded. 20th Century's problem: It has consistently racked up around a 30% return.

Says Gerald Lewinsohn, who follows 20th Century for Merrill Lynch, "For political reasons, the California insurance department has blindly followed a formula that will generate the refunds it wants, and to hell with efficiency."

20th Century has refused to pay any rebates pending the outcome of a lawsuit it filed against the department in November. Commissioner Garamendi responded by calling the company "an insurance outlaw."

James Curley, 20th Century's president, says the department should stick to regulating rates—not rates of return: "The department is basically taking capacity away from the companies that are providing low-cost products. That cannot be in the consumer's best interest, anywhere." –C.T.G. ■

little business kept premium rates too low.

Rates may be heading up soon, but that may be too late to help some of the more seriously ailing property/casualty outfits like USF&G Corp. Moreover, if the economy improves, that may not be good news for insurers. Why? Any economic recovery is accompanied by an increase in automobile and other property/casualty claims: More driving and more activity mean more accidents.

"If the economy takes off rapidly and we're hit with some big weather-related losses, there's no question you'll see a record number of insolvencies," predicts Salomon Brothers insurance analyst A. Michael Frinquelli.

So Frinquelli is on the hunt for strong balance sheets—stocks like Chubb, St. Paul and W.R. Berkley. ■

Insurance	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		Return on capital		Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	latest 12 mos %	Debt/capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Kentucky Central Life	**9.6**	4.5	4.8	40.0	**14.7**	-3.3	**-8.9**	-40.8	452	14	3.1
Equitable of Iowa	**9.4**	12.4	11.8	18.0	**11.1**	12.4	**1.2**	54.3	718	35	4.9
Pioneer Financial Svcs	**8.6**	def	def	20.3	**64.7**	28.4	**NM**	P-D	698	-16	def
USLife	**8.4**	7.7	7.2	20.5	**4.9**	9.4	**1.7**	10.3	1,333	72	5.4
American Natl Ins	**8.2**	8.0	7.3	[illegible]	**7.0**	13.4	**-7.6**	39.1	1,185	129	10.9
Broad	**6.5**	13.2	10.7	26.8	**14.3**	9.8	**NM**	29.4	815	42	5.2
Washington National	**def**	def	def	4.2	**8.8***	-27.7	**NM**	P-D	559	-22	def
ICH	**def***	def	5.7	62.5	**-1.5†**	-1.7	**NM**	D-D	1,872	-8	def
Medians	**10.4**	**10.8**	**9.0**	**22.8**	**9.0**	**9.3**	**2.6**	**5.6**	**1,265**	**80**	**5.3**
Property & casualty											
20th Century Inds	**32.3**	30.7	30.5	0.2	**22.6**	13.9	**42.9**	51.7	880	123	14.0
Argonaut Group	**27.2**	18.7	18.7	0.0	**3.0**	-10.2	**30.2**	17.5	540	91	16.9
Geico	**26.9**	20.0	17.5	22.1	**10.0**	5.2	**6.8**	-9.7	2,074	202	9.8
Hartford Steam Boiler	**26.8**	21.2	17.5	13.5	**11.1**	10.0	**18.7**	-1.6	615	78	12.7
Progressive	**24.7**	13.7	9.5	49.5	**25.2**	6.1	**16.9**	-28.0	1,455	58	4.0
Mercury General	**24.5**	30.8	28.9	6.2	**28.4**	-0.5	**28.0**	22.9	531	68	12.8
General Re	**20.2**	18.5	18.0	2.8	**3.1**	8.3	**33.7**	5.0	3,156	628	19.9
Selective Insurance	**19.8**	10.6	10.0	5.3	**11.9**	4.9	**5.3***	-22.1	554	26	4.8
Chubb	**18.6**	17.7	15.5	18.2	**10.9**	6.6	**34.2**	19.5	4,454	568	12.7
WR Berkley	**18.5**	12.3	11.2	20.8	**17.0**	-3.6	**20.8**	0.7	535	43	8.1
St Paul Cos	**18.5**	16.3	14.3	12.6	**7.8**	9.8	**29.8**	0.0	4,284	389	9.1
Hanover Insurance	**15.1**	6.4	6.4	0.0	**13.6**	5.8	**13.2**	4.8	1,809	49	2.7
Ohio Casualty	**15.0**	14.9	14.9	0.0	**5.8**	5.2	**14.3**	41.0	1,687	97	5.7
Orion Capital	**12.4**	17.3	11.7	39.1	**13.5**	-3.4	**NM**	10.1	792	31	3.9
ITT	**11.6**	8.0	7.1	44.0	**2.1**	1.6	**27.1**	-34.4	20,524	706	3.4
Berkshire Hathaway	**11.3**	9.1	8.3	15.8	**17.2**	32.6	**NM**	26.9	3,028	482	15.9
Alleghany	**10.6†**	8.0	7.5	35.0	**33.3**	10.0	**4.6†**	-19.9	1,496	52	3.5
First American Finl	**10.4**	0.7	3.3	19.6	**10.7**	-1.7	**-25.3**	-88.3	710	1	0.2
Zenith National Ins	**9.5**	1.4	1.2	5.6	**12.2**	-0.2	**NM**	-88.0	496	2	0.4
Fremont General	**8.2**	15.4	12.3	31.7	**NM**	2.9	**NM**	-2.0	577	29	5.0
Xerox	**7.6**	8.5	8.8	41.0	**9.3**	1.9	**-10.1**	289.3	17,968	598	3.3
Foremost Corp of Amer	**6.9**	3.3	2.0	43.7	**-2.7**	2.0	**NM**	D-P	442	5	1.1
Continental Corp	**6.3**	5.9	6.2	26.9	**1.7**	-5.5	**NM**	-21.6	5,470	126	2.3
USF&G	**def**	def	def	17.8	**4.2**	-9.5	**NM**	P-D	4,252	-746	def
Medians	**15.0**	**13.0**	**10.6**	**18.0**	**10.8**	**3.9**	**10.0**	**0.3**	**1,476**	**73**	**4.9**
Brokerage											
Marsh & McLennan Cos	**38.9**	28.3	22.6	23.6	**13.4**	5.1	**11.4**	-0.2	2,782	306	11.0
Crawford & Co	**24.9**	25.8	24.1	4.2	**15.7**	17.9	**19.3**	15.3	516	36	7.0
Alexander & Alexander	**16.0**	10.4	10.0	28.8	**7.3**	3.9	**4.8***	-7.6	1,364	45	3.3
Frank B Hall	**def**	NE	2.5	48.9	**NM**	10.4	**NM**	D-D	468	-3	def
Medians	**20.5**	**18.1**	**16.3**	**26.2**	**10.3**	**7.7**	**8.1**	**-3.9**	**940**	**41**	**5.2**
Industry medians	**12.1**	**10.7**	**9.9**	**19.5**	**9.6**	**5.4**	**4.9**	**1.3**	**1,476**	**109**	**5.1**
All-industry medians	**13.2**	**9.9**	**7.6**	**32.4**	**11.3**	**3.7**	**4.5**	**-5.9**	**1,436**	**40**	**2.9**

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

It's a good thing the steel industry worked so hard in the 1980s to prepare for the next recession.

By Vicki Contavespi

Autos and appliances—steel's largest customers—simply aren't selling. No wonder 1991 steel shipments were down about 8%, to 78 million tons, putting downward pressure on prices.

Nobody is comparing what's happening now with the 1981-83 downturn, when the six largest U.S. steelmakers at the time lost nearly $6 billion, laid off more than 200,000 workers and cut 25 million tons of capacity.

Following that, the industry embarked on extensive plant modernization, embraced new technologies—such as continuous and thin-slab casting—and entered into joint ventures with foreign steel companies. As a result, steel companies can run at lower capacities and still turn a profit. Even so, current capacity utilization of 75% to 80% isn't high enough for some integrated steelmakers, like Bethlehem Steel and Armco, to be profitable.

Reconstituted mills, those once-failed factories that have risen from the ashes, like Utah's Geneva Steel, and minimills, like Nucor, have escaped many of the problems faced by the integrated manufacturers. Most reconstituted mills—rescued from bankruptcy—avoided union rules and pension liabilities. Minimills have lower labor costs, and most use cheaper scrap rather than iron ore. Nucor, a minimill, is no lightweight, with sales of $1.5 billion and

"A piece of stainless would be there forever"

"It's disturbing to me when I drive across a bridge and see the railing eroding. I think: A piece of stainless would be there forever," says Robert P. Bozzone. Of course Bozzone has a vested interest. He's president and chief executive officer of $1 billion (revenues) Allegheny Ludlum Corp., one of the largest domestic producers of stainless steel and specialty metals.

Bozzone sees plenty of new opportunities. Aside from the 150 pounds of stainless already in a typical kitchen (pots, pans, flatware, sinks and microwave ovens), he sees more of these alloys being used in autos, furnaces and even home electronics equipment. Allegheny Ludlum has a technology center in Natrona Heights, Pa. and employs 430 scientists and research technicians companywide. It spends over $30 million on research and development a year.

Allegheny Ludlum has gone full circle. In the 1970s the company diversified into small home appliances and renamed itself Allegheny International. Following the 1970s notion that steel was a no-growth industry, the steelmaking operations were sold in 1980 to a group led by senior management. They took the company public again in May 1987 and, unlike most steel companies, made money throughout the rest of the decade.

What's Allegheny's secret? Bozzone says that more than 15 years ago, long before its competitors did, Allegheny started using a computerized cost system. The program assigns a cost factor to every aspect of production for each product. In this way the company sets efficiency standards that it keeps trying to beat. Bozzone estimates that Allegheny saved $4 million to $5 million a year since it began using the system.

Robert Bozzone
"We're technology-driven."

The company expects to spend about $30 million in 1992 on capital improvements. A recently completed project is a cold-rolling mill in Pennsylvania that will eliminate several production steps. Bozzone figures this plant will save Allegheny $11 million a year.

It all adds up. Merrill Lynch analyst Barbara Crehan expects 1991 revenues of around $1.025 billion, with net income of $38.6 million. She has 1992 earnings at an optimistic $74 million.

With its three top officers having degrees in metallurgy, Allegheny is prepared to maintain its edge in efficiency. "We're technology-driven," says Bozzone. –V.C. ■

earnings of $63 million over the last 12 months.

Steel's biggest rival, aluminum, is in the doldrums. Although U.S. plants are running at a healthy 97% of capacity, aluminum inventories are high.

But the biggest problem is the current price: 49 cents a pound, close to the lowest in history, when adjusted for inflation. U.S. producers have reduced capacity about 3%, but more cutbacks may be necessary. Consumption of aluminum by Western nations is expected to decline by 1.4% in 1991. Alcoa's results for the last 12 months tell the tale—$10 billion in sales but only $114 million in profits. In contrast, the aluminum giant earned $945 million in 1989.

Relatively speaking, copper is booming at $1.04 a pound, thanks to sporadic production problems in places like Zaire, Zambia and Chile. Even so, that price is below last year's $1.15 a pound. The price could continue to soften given the current buildup in inventories and the weak demand for finished products containing copper. The same applies to nickel. Sixty percent of nickel's production goes into stainless steel. Nickel traded over $4 a pound in 1990; the London Metals Exchange recently quoted it at $3.25. ■

Metals

	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity		Return on capital latest 12 mos %	Debt/capital %	Sales		Earnings per share		latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Company	5-year average %	latest 12 mos %			5-year average %	latest 12 mos %	5-year average %	latest 12 mos %			
Steel											
Allegheny Ludlum	46.7*	9.7	8.1	10.8	11.6	-4.7	12.2†	-62.0	1,011	34	3.4
USX-US Steel	33.6*	def	def	48.0	NM	NA	22.4†	NA	5,177	-291	def
Cyclops Industries	31.3†	def	2.8	48.7	15.9	-10.1	NA	D-D	1,095	-5	def
Birmingham Steel	26.0	0.4	0.5	39.3	23.2	-8.2	20.6*	-95.6	404	0	0.1
Lukens	19.7	16.3	13.4	6.1	12.1	-3.9	43.0*	-16.7	655	41	6.2
Worthington Inds	17.4	13.0	10.7	12.7	3.4	-4.5	4.3	-14.8	879	45	5.2
Quanex	15.3	10.2	7.4	48.1	17.1	-2.0	89.9†	-26.7	608	17	2.8
Nucor	14.9	9.7	12.1	3.1	15.8	2.1	7.9	-9.5	1,461	63	4.3
Central Steel & Wire	12.9	3.7	3.7	0.0	2.4	-14.7	NM	-64.5	457	6	1.2
AM Castle & Co	11.6	def	2.4	51.5	11.5	-5.7	NM	P-D	450	0	def
Carpenter Technology	10.2	8.1	6.2	21.4	3.3	-2.1	44.7	-39.4	564	26	4.6
Acme Steel	7.1	0.7	2.2	27.4	15.7	-14.7	NM	-79.3	387	1	0.3
Inland Steel Inds	6.2	def	def	23.2	6.6	-11.5	NM	P-D	3,465	-141	def
Armco	3.7	def	def	27.8	-10.8	-7.9	NM	D-D	1,601	-104	def
Weirton Steel	2.6	def	def	60.7	1.6	-14.5	NM	P-D	1,038	-81	def
Texas Industries	2.2	0.0	3.6	43.2	1.2	-4.6	NM	-99.4	631	0	def
Bethlehem Steel	1.0	def	def	35.2	1.5	-7.3	NM	P-D	4,493	-646	def
Lone Star Tech	def	6.8	3.5	21.6	19.1	-15.1	NM	D-P	523	9	1.7
LTV	NE	NE	def	NE	-5.2	-0.4	NM	-73.7	6,081	63	1.0
Geneva Steel	NA	20.1	12.6	42.2	NA	-9.1	NA	-53.2	481	27	5.6
Wheeling Pittsburgh	NA	NA	def	40.8	9.3	-8.8	NA	NA	994	-45	def
Medians	11.6	0.5	2.8	27.8	8.0	-7.6	NM	-73.7	879	1	0.3
Nonferrous metals											
Maxxam	49.3	19.8	10.8	68.5	NM	-4.7	NM	-49.6	2,296	80	3.5
Inco	44.9	8.1	7.4	30.9	23.1	-1.8	69.5†	-70.4	3,131	144	4.6
Phelps Dodge	25.2	17.8	14.4	17.3	30.4	-6.0	73.8	41.1	2,457	301	12.2
AMAX	22.1	4.5	5.0	42.7	22.8	1.8	30.1†	-55.1	3,817	100	2.6
Reynolds Metals	18.9	5.0	4.7	35.5	14.3	-1.7	30.2*	-65.1	5,879	146	2.5
Magma Copper	16.8*	11.7	8.8	38.3	21.6	-9.5	NM	-29.9	705	46	6.5
Alcan Aluminium	16.2	3.0	3.0	26.6	10.7	-5.1	30.9*	-68.6	8,165	167	2.1
Asarco	15.8	2.5	3.0	31.5	18.0	-10.2	-16.1†	-81.3	1,967	37	1.9
Cyprus Minerals	13.2	5.7	5.5	14.0	24.8	-4.0	66.3*	-46.2	1,752	80	4.6
Alcoa	13.2	2.3	4.9	15.2	12.9	-5.1	17.8*	-80.3	10,156	114	1.1
Homestake Mining	7.6*	def	def	5.9	9.8	-5.9	NM	P-D	425	-113	def
Handy & Harman	6.4	def	def	56.4	4.4	-4.5	20.4†	P-D	487	-35	def
Engelhard	4.9	12.1	11.4	14.2	4.1	-13.9	7.0	D-P	2,507	87	3.5
Newmont Mining	3.3	70.4	16.9	44.8	NM	-5.5	22.1*	-81.7	630	77	12.2
Tredegar Industries	NA	def	def	39.8	1.6	-17.7	NA	0.0	477	-14	def
Medians	16.0	5.0	5.0	31.5	12.9	-5.1	21.2	-65.1	2,296	80	2.6
Industry medians	13.2	3.7	3.7	31.2	10.7	-5.7	7.5	-66.9	1,025	27	1.8
All-industry medians	13.2	9.6	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

In retailing, the rich are getting richer, and many of the poor will fall by the wayside. For the industry, latest 12-month earnings were down almost 6%.

By Zina Sawaya

The chasm is widening between the top retailers and the laggards. Dillard Department Stores, the Gap, Circuit City Stores, Home Depot and Wal-Mart Stores are among the haves. Federated Department Stores, Allied Stores and Ames Department Stores are among the have-nots.

The most profitable companies generally have the most sophisticated computers for tracking what sells and reordering inventory in ways that make working capital work harder than ever. Computerization is expensive, but it pays. Stocking enough goods that consumers want and keeping leaner inventories of slow-selling items enables the better-run chains to rely less on costly markdowns to move goods. Working with vendors to get them to ship their merchandise only when the stores need it cuts financing costs.

Several companies are taking their cue from Wal-Mart's success *(see box)*. In 1990 Kmart initiated a six-year

Retailing	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		Return on capital latest 12 mos %	Debt/ capital %	Sales		Earnings per share		latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Company	5-year average %	latest 12 mos %			5-year average %	latest 12 mos %	5-year average %	latest 12 mos %			
Department stores											
May Dept Stores	19.5	17.8	10.2	51.4	8.6	5.2	29.8	-4.6	10,537	501	4.8
Dillard Dept Stores	17.4	15.0	11.2	40.5	17.7	12.8	18.7	11.0	3,930	205	5.2
JC Penney	15.7	8.8	6.5	33.3	3.1	-1.7	14.9	-41.8	16,086	433	2.7
Mercantile Stores	14.0	10.3	9.8	14.5	4.7	1.6	4.5	-8.6	2,421	121	5.0
Strawbridge	12.1	3.7	4.7	43.3	7.8	-5.2	NM	-69.1	955	9	1.0
Equitable of Iowa	9.4	12.4	11.8	18.0	11.1	12.4	1.2	54.3	718	35	4.9
Sears, Roebuck	9.0	7.1	6.1	49.4	6.7	2.2	-4.3	-13.8	56,832	971	1.7
Alexander's	1.8	def	def	30.2	-4.1	-6.5	NM	D-D	430	-4	def
Neiman Marcus Group	def†	def	3.8	43.3	12.4	2.2	NM	P-D	1,753	7	0.4
Carter Hawley Hale	NA	NE	def	150.6	-2.7	-21.5	NM	D-D	2,245	-124	def
Medians	12.1	8.0	6.3	41.9	7.3	1.9	-1.5	-27.8	2,333	78	2.2
Apparel											
Gap	36.2	43.3	43.3	11.7	24.0	26.2	30.1	65.8	2,340	202	8.7
Limited	33.1	24.0	17.7	28.7	16.2	14.6	20.5	-0.5	5,837	375	6.4
Merry-Go-Round	29.4	25.0	21.8	14.0	30.7	23.6	35.8	9.6	732	39	5.4
J Baker	20.3*	6.1	5.9	47.2	30.3	1.9	8.8	-51.3	452	6	1.3
Charming Shoppes	19.2	16.9	15.1	9.1	17.1	12.7	3.0	40.3	982	53	5.4
Edison Bros Stores	18.9	17.7	13.4	30.1	8.0	17.0	NM	-10.9	1,348	61	4.5
Nordstrom	18.8	17.1	12.4	33.4	17.6	8.9	17.0	39.5	3,104	141	4.6
Genesco	17.9	0.6	2.8	22.8	-1.7	-1.7	NM	-86.7	477	1	0.2
Ross Stores	16.8	18.9	13.9	33.5	15.0	15.1	21.4†	8.6	903	24	2.7
Burlington Coat	12.8	10.8	9.5	28.5	18.2	9.5	6.8	3.2	896	25	2.8
Brown Group	8.9	7.9	6.9	26.9	5.8	-5.6	NM	-21.8	1,729	26	1.5
Petrie Stores	5.1	1.2	1.8	15.1	1.8	3.9	-23.5	-66.7	1,343	8	0.6
US Shoe	2.7	def	def	22.0	7.6	-1.2	NM	P-D	2,737	-29	def
Hartmarx	0.0	def	def	40.3	4.2	-5.7	NM	D-D	1,233	-27	def
AnnTaylor Stores	NA	1.5	4.7	47.3	19.8*	5.7	NA	NA	434	6	1.3
TJX Cos	NA	26.3	13.7	44.8	16.1	13.7	NM	9.7	2,672	71	2.7
Medians	18.4	13.8	10.9	28.6	16.2	9.2	3.0	-0.5	1,288	26	2.7

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Cutting out the middleman

FOR MANY retailers, post-Thanksgiving Day sales disappointed. Sam Walton was not disappointed. All 16 checkout counters were jammed the day after Thanksgiving at the Wal-Mart store in Kingsport, Tenn. The Christmas shopping season was in full swing, with a banner proclaiming "The Wal-Mart price—'Tis the reason you'll be jolly." Several happy women swarmed around a bin of Bill Blass pantyhose, on sale for $1.96. For Wal-Mart as a whole, same-store sales were up 11% for the ten months ending Nov. 30.

When Walton started Wal-Mart Stores in sleepy Rogers, Ark. in 1962, the absence of wholesalers in small towns obliged him to develop a distribution system. Today Wal-Mart has 20 highly automated centers supplying about 80% of what its 1,683 stores sell (the rest comes from wholesalers or manufacturers, directly to the stores). To move these goods, Wal-Mart operates a fleet of 1,973 trucks.

"We are agents for our customers," says David Glass, 56, Wal-Mart's president and chief executive officer. "We want to sell them what they want to buy, and the name of the game is who can most efficiently deliver that merchandise from raw materials to the customer."

Its well-oiled distribution system enables Wal-Mart to cut out the middlemen for a growing portion of its merchandise. Instead of wholesalers' sending small shipments to each store, the manufacturer ships, say, 25 truckloads of an item to one of the Wal-Mart distribution centers. There the merchandise is sorted mechanically and sent to the individual stores.

David Glass of Wal-Mart

A company forced to be efficient from the start.

Besides eliminating the wholesalers' markups and reducing its cost-of-sales line, this allows Wal-Mart to work closely with manufacturers. A manufacturer like Gitano can access Wal-Mart's point of sale terminals to track sales of its jeans. This way, Gitano knows when to crank up production to resupply a Wal-Mart store before the store runs out of merchandise. Wal-Mart's Electronic Data Interchange system enables it to electronically place orders with a manufacturer.

But Wal-Mart goes further. It works with its suppliers and with its suppliers' suppliers. For example, with a company like Gitano it will work with the fabricmaker and even the fiber producer. "We just tie everyone into the loop," says Glass. "You won't call the apparel manufacturer and have them say, 'Gosh, we'd make that for you, but we don't have any fabric.' "

The ability to do all this costs money. Over the past five years the company has invested $600 million in inventory management equipment and other technology. A satellite communications system allows it to track inventory and handle accounting and payments. It even allows employees to transmit their suggestions to their store manager, who, in turn, might send the suggestion on to headquarters. Glass claims that Wal-Mart gets most of its ideas at the grass roots level.

While most retailers are cautiously husbanding resources, Wal-Mart plans to add about 150 stores in 1992. This is likely to be bad news for East and West Coast retailers like Caldor and Ames, because a good part of this expansion will be directed at them. –Z.S. ■

modernization program. It improved its inventory control system by installing point-of-sale equipment in all of its stores and transferred all of its merchandising to centralized locations. Kmart's sales for the nine months ended in October were up almost 8%, to $24 billion, while net income increased 7%, to $380 million. Going into the all-important Christmas quarter, same-store sales in November, including the traditional Thanksgiving weekend shopping rush, were up 0.6%.

But what of those companies burdened with debt or hindered by weak organization? Federated Department Stores, which was brought down by the collapse of Robert Campeau's empire, is expected to emerge from bankruptcy in February as a publicly traded company, but Federated will have a tough time catching up if it doesn't have the necessary funds to invest in new technology or upgrade its stores. Both Hills Department Stores and Carter Hawley Hale filed for Chapter 11 in February 1991.

Carl Steidtmann, chief economist at Management Horizons, a division of Price Waterhouse, notes that retailers

Retailing	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		**Return on capital latest 12 mos %**	**Debt/ capital %**	**Sales**		**Earnings per share**				
Company	**5-year average %**	**latest 12 mos %**			**5-year average %**	**latest 12 mos %**	**5-year average %**	**latest 12 mos %**	**latest 12 mos $mil**	**latest 12 mos $mil**	**latest 12 mos %**
Consumer electronics											
Intelligent Electron	33.2	26.4	27.6	10.2	137.5	26.4	111.0*	33.3	1,709	38	2.2
Circuit City Stores	26.0	14.8	12.7	19.1	27.4	11.6	22.5	-30.8	2,519	55	2.2
MicroAge	17.8	9.5	10.3	17.6	39.0	26.4	NM	-48.6	787	3	0.4
Tandy	16.8	10.7	10.0	14.3	8.7	-1.6	4.7	-29.3	4,530	196	4.3
InterTAN	11.4	3.9	4.0	14.5	11.8	-3.0	-25.4†	-61.1	679	9	1.3
Best Buy Co	8.8	12.4	10.2	11.7	38.8	23.4	NM	18.1	746	7	1.0
Egghead	3.6	14.6	14.7	0.6	58.7	19.9	NM	197.1	594	17	2.9
Highland Superstores	def	def	def	155.0	11.3	-13.9	NM	D-D	785	-89	def
Medians	14.1	11.6	10.2	14.4	33.1	15.7	NM	-30.0	786	13	1.7
Drug & discount											
Pamida Holdings	56.7*	def	6.6	95.9	7.0	4.4	NM	P-D	670	-2	def
Wal-Mart Stores	35.0	27.7	21.4	33.1	30.3	33.8	32.1	19.3	40,748	1,488	3.7
Walgreen	20.8	20.5	16.5	9.9	12.7	11.3	15.1	11.7	6,733	195	2.9
Arbor Drugs	19.9	20.3	15.7	20.7	20.4	18.9	19.6	14.8	406	13	3.2
Drug Emporium	19.3	1.3	3.9	51.9	31.8	28.0	31.4*	-90.5	699	1	0.1
Pic'N'Save	18.5	14.9	11.5	31.0	14.3	2.5	-10.5	111.4	524	30	5.7
Rite Aid	18.1	14.6	10.3	34.5	18.3	8.9	9.1	8.4	3,599	115	3.2
Dayton Hudson	17.9	13.9	8.4	58.6	11.7	9.6	14.4	-18.5	15,731	344	2.2
Longs Drug Stores	17.6	14.1	13.3	0.0	9.3	6.2	13.3	-7.6	2,398	57	2.4
Family Dollar Stores	17.2	20.4	19.0	0.0	15.3	13.1	5.6	39.4	989	40	4.1
Woolworth	16.7	9.6	9.0	9.2	10.6	3.4	13.4	-35.5	9,842	224	2.3
Fay's	16.3	11.8	9.7	54.0	8.4	22.4	39.3	-15.7	788	9	1.2
Kmart	13.8	14.3	11.3	38.0	7.4	5.3	12.9	129.9	34,037	782	2.3
Genovese Drug Stores	13.5	16.6	11.8	39.8	13.5	3.4	12.8	94.9	444	7	1.5
Dollar General	9.9	13.5	12.8	22.0	2.5	10.8	NM	37.2	713	18	2.5
Venture Stores	9.9	43.3	21.8	45.6	7.0	4.4	NM	16.9	1,480	39	2.7
Fred Meyer	9.8	12.3	8.7	46.1	9.8	6.2	6.0	D-P	2,593	38	1.5
Medco Containment	8.9	16.3	15.6	0.4	56.2	33.7	41.6	500.0+	1,442	70	4.9
Consolidated Stores	7.6	6.7	7.4	27.5	25.5	8.9	-19.7	D-P	734	10	1.4
Pacific Enterprises	6.7	9.4	6.5	37.7	7.0	-2.4	NM	D-P	6,763	189	2.8
Big B	5.6	8.5	7.1	31.2	22.2	5.3	NM	D-P	484	6	1.2
Rose's Stores	0.5	def	def	39.9	8.4	-4.8	NM	P-D	1,466	-34	def
Jamesway	def	def	def	50.7	11.5	-3.8	NM	D-D	909	-20	def
Perry Drug Stores	def	0.7	4.7	71.4	3.4	-3.3	NM	-94.6	637	0	0.1
Ames Dept Stores	def	NE	def	216.8	23.0	-25.8	NM	D-D	3,122	-304	def
Hills Dept Stores	def	NE	def	198.9	9.7	-17.6	NM	D-D	1,803	-254	def
Caldor	NA	7.9	6.8	68.3	5.7*	5.2	NA	D-P	1,837	2	0.1
Medians	13.7	12.3	9.0	38.0	11.5	5.3	5.8	14.8	1,466	18	2.2

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

have shed over 350,000 jobs since July 1990. This and other cost-cutting moves have created considerable operating leverage for several companies. Indeed, Steidtmann expects that overall retail sales will be flat or down when the 1991 books are closed, but profits will be up between 5% and 8%. Once revenues begin to increase, profits for some companies should grow dramatically.

Which companies are best positioned for the year ahead? If the economy remains relatively weak, cost-efficient discount stores such as Kmart, Wal-Mart, Walgreen and Dayton Hudson's Target Stores—and wholesale clubs like Price Co.—probably have the edge over department store chains like Macy's and Bloomingdale's. Wal-Mart and Price are now bringing their stores to consumers on the East and West coasts. "Wal-Mart really has established this tone throughout the industry and that's now taken hold in department stores," says Christine Fasano, a retail analyst with Donaldson, Lufkin & Jenrette. "Consumers have been well trained now [to wait for sales], and it's not easy for retailers to change that." ■

Retailing

	Profitability				Growth				Sales	Net income	Profit margin
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/ capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Home improvement											
Home Depot	**27.2**	27.8	19.0	13.7	**40.1**	37.6	**63.5**	33.3	4,846	223	4.6
Grossman's	**12.1**	def	2.5	32.4	**-5.3**	-0.1	**NM**	P-D	811	-2	def
Lowe's Cos	**11.8**	8.0	7.5	16.5	**6.0**	3.0	**6.1**	-26.5	2,933	55	1.9
Hechinger	**10.7**	5.8	5.4	26.7	**25.3**	11.8	**NM**	-26.1	1,559	27	1.7
Waban	**NA**	7.8	8.0	21.6	**39.6**	15.0	**NA**	0.0	2,681	23	0.9
Medians	**11.9**	**7.8**	**7.5**	**21.6**	**25.3**	**11.8**	**NM**	**-26.1**	**2,681**	**27**	**1.7**
Home shopping											
Lands' End	**35.2**	19.7	19.0	1.4	**23.4**	11.3	**11.6**	46.3	641	23	3.6
Blair	**31.7**	25.3	25.3	0.0	**7.6**	3.9	**16.6**	-8.2	488	33	6.7
Spiegel	**21.1**	8.8	6.9	63.1	**19.1**	7.7	**25.0**	-46.5	2,037	40	2.0
Service Merchandise	**10.0**	269.2	17.0	96.5	**7.3**	-0.6	**27.6†**	28.7	3,414	70	2.0
Home Shopping	**7.0**	def	1.6	52.9	**37.9**	7.0	**NM**	P-D	1,079	-10	def
QVC Network	**5.0***	12.4	7.6	61.1	**NM**	10.0	**NM**	D-P	890	20	2.2
CUC International	**4.1**	NE	37.8	93.2	**38.5**	22.7	**18.3**	119.8	501	24	4.9
Horn & Hardart	**def**	NE	def	200.0	**9.6**	13.9	**NM**	D-D	606	-134	def
Medians	**8.5**	**10.6**	**12.3**	**62.1**	**14.3**	**8.8**	**14.1**	**10.2**	**766**	**24**	**2.1**
Specialty retailers											
Sotheby's Holdings	**45.6**	6.9	7.9	0.1	**24.5**	-46.6	**58.3***	-83.0	248	22	9.0
Tiffany	**40.4**	19.6	18.3	20.9	**25.2**	9.3	**41.3**	-5.9	485	35	7.3
AutoZone	**34.2***	47.0	30.4	3.2	**24.4**	21.8	**78.2**	70.1	818	44	5.4
Blockbuster	**33.1**	24.6	19.7	33.5	**NM**	36.3	**84.4†**	30.0	796	86	10.8
Jostens	**33.0**	23.1	20.5	9.3	**9.1**	7.6	**7.7**	3.9	860	64	7.5
Price Co	**22.8**	21.1	17.8	39.1	**19.8**	24.8	**17.0**	8.5	6,598	134	2.0
Toys 'R' Us	**20.9**	15.0	13.4	8.0	**23.5**	10.3	**23.7**	-4.5	5,683	312	5.5
Costco Wholesale	**17.8**	19.6	18.2	0.6	**46.4**	28.4	**82.9**	58.6	5,305	85	1.6
Smart & Final	**16.1***	2.8	3.3	2.6	**13.8***	NA	**18.1***	NA	648	2	0.3
Getty Petroleum	**15.2**	def	def	56.8	**NM**	6.4	**NM**	P-D	1,231	-22	def
Pier 1 Imports	**14.8**	8.1	6.6	41.7	**24.7**	28.5	**NM**	-41.1	715	13	1.9
Pep Boys	**13.8**	10.3	7.5	43.2	**17.9**	9.3	**8.7**	-8.6	971	36	3.7
Office Depot	**11.8†**	7.5	6.3	6.5	**162.1†**	108.0	**NM**	-16.7	1,141	10	0.9
Town & Country	**7.5**	18.3	10.6	64.9	**46.4**	-15.2	**NM**	153.7	353	16	4.7
Dart Group	**4.4**	1.6	5.5	31.2	**53.6**	14.2	**NM**	-60.4	1,139	5	0.4
General Host	**2.9**	11.8	9.5	47.5	**-3.5**	0.5	**NM**	237.9	514	18	3.4
Lionel	**0.3**	def	def	56.9	**12.7**	-12.2	**NM**	D-D	382	-32	def
Child World	**def**	def	def	130.7	**9.9**	-13.8	**NM**	P-D	727	-217	def
Value City Dept	**NA**	NA	NA	15.5	**17.4**	9.0	**NA**	52.4	586	22	3.7
Medians	**15.7**	**11.1**	**8.7**	**31.2**	**19.8**	**9.3**	**8.2**	**-5.2**	**796**	**22**	**3.4**
Industry medians	**14.0**	**10.5**	**9.3**	**32.4**	**13.5**	**7.7**	**4.5**	**-5.9**	**1,079**	**24**	**2.2**
All-industry medians	**13.2**	**9.9**	**7.6**	**32.4**	**11.3**	**3.7**	**4.5**	**-5.9**	**1,436**	**40**	**2.9**

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

TRANSPORT

Railroads enjoyed one of their better years in 1991, but truckers weren't as lucky. Now the old foes are getting more serious about intermodal cooperation.

By Roula Khalaf

Railroads got a shot in the arm from a presidential emergency board set up in 1990 to mediate the dispute between railroads and their labor unions. Last January the board recommended wage increases of 10% spread over three years, in line with inflation but far below what the unions wanted. A brief strike ensued. But Congress responded by passing legislation that affirmed the board's recommendations.

Congress also reiterated the board's decision that individual railroads must negotiate agreements with unions over the number of crew members needed to run a train or face binding arbitration. Many railroads still operate with four-man crews—an engineer, a conductor and two brakemen. At the least, the industry wants to eliminate the second brakeman.

Veteran railroad analyst Isabel Benham, of Printon, Kane Research, says such a move could save the industry over $1 billion over a period of years. Up to now only Burlington Northern, Norfolk Southern and Illinois Central have reached such agreements with their unions.

Railroad stocks rallied in 1991 on the news of labor gains. This encouraged railroads to reduce debt on their

Transport	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity				Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Railroads											
Burlington Northern	20.5	def	def	53.2	3.5	-3.3	-6.2	P-D	4,531	-322	def
Union Pacific	13.4	1.4	2.5	36.8	NM	2.2	5.8†	-90.4	7,041	56	0.8
Norfolk Southern	10.8	10.5	6.4	15.1	3.9	-2.8	10.1	-6.5	4,471	501	11.2
CSX	10.3	11.4	6.7	30.2	3.2	6.1	13.7*	0.7	8,547	409	4.8
Consolidated Rail	6.8†	7.9	6.6	31.4	1.6	-3.2	-7.3	148.9	3,246	245	7.6
Kansas City Southern	4.2	9.9	8.2	32.8	1.4	17.3	NM	-23.0	581	41	7.1
Illinois Central	NA	42.9	14.1	50.9	-8.3	-3.4	NA	NA	537	59	11.0
Santa Fe Pacific	NA	3.6	5.1	46.4	1.6*	-0.7	NM	D-P	2,308	32	1.4
Medians	10.6	8.9	6.5	34.8	1.6	-1.8	-6.2	-6.5	3,859	58	6.0
Trucking & shipping											
Alexander & Baldwin	25.9	12.9	8.7	36.4	8.2	0.9	17.5	-19.5	710	88	12.3
JB Hunt Transport	21.8	14.6	8.9	38.0	34.9	25.7	12.3	-10.4	695	28	4.0
Roadway Services	13.6	15.5	14.6	0.0	14.1	7.3	10.7	17.7	3,082	121	3.9
Yellow Freight Sys	12.0	7.6	6.4	19.0	8.8	2.8	NM	52.2	2,347	38	1.6
Carolina Freight	4.4	2.1	3.1	39.1	6.5	7.3	-39.3	D-P	762	3	0.4
Consol Freightways	3.9	def	def	40.4	18.3	1.3	NM	D-D	4,164	-36	def
American President	0.3	11.7	7.6	44.2	14.6	8.4	NM	D-P	2,414	56	2.3
Preston	def	1.0	4.2	53.8	13.3	-12.9	NM	D-P	570	1	0.2
Medians	8.2	9.6	7.0	38.6	13.7	5.0	NM	P-D	1,555	33	2.0
Air freight											
Air Express Intl	31.5	24.1	18.9	32.0	14.7	7.5	23.9*	14.6	593	13	2.1
Harper Group	15.4	14.2	12.0	16.3	22.2	7.6	17.8	5.1	457	19	4.2
Airborne Freight	12.3	9.1	9.1	39.7	20.5	17.6	16.4	-32.7	1,325	29	2.2
Federal Express	6.6	def	2.3	50.1	25.9	4.3	NM	P-D	7,598	-20	def
Pittston	2.5	13.0	11.1	11.9	9.2	9.3	NM	377.1	1,929	63	3.2
Medians	12.3	13.0	11.1	32.0	20.5	7.6	16.4	5.1	1,325	19	2.2
Industry medians	10.8	9.9	6.7	36.8	8.8	4.3	-6.7	2.9	2,308	38	2.3
All-industry medians	13.2	9.9	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-yaar average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

balance sheets. Last May, for example, Illinois Central sold 4 million common shares for $75.5 million.

Meanwhile, cargo volumes were down nearly 5% for the first 45 weeks of the year, led by losses in autos, lumber and metallurgical coke. But next year should be better. The 1990 Clean Air Act, which calls for the use of lower-sulfur coal, should boost traffic for lines like Burlington Northern and Union Pacific. Thanks to chaos in the old Soviet Union, U.S. grain shipments should also improve.

The railroad industry scored another gain on Capitol Hill in 1991, this one at the expense of the truckers. Railroad lobbyists succeeded in inserting provisions in the House and Senate highway bills to freeze the proliferation of the truckers' double 48-foot and triple 28-foot trailers on the nation's highways. These behemoths, now running in 17 states, will not be allowed in other states.

This is bad news for the truckers, who don't need bad news. Their operating margins were under intense pressure in 1991. With depressed markets for durable goods, the industry was unable to pass along rate increases.

Perhaps in response to hard times, the trucking industry has gotten more serious about an old idea: "intermodalism," or moving trailers and containers by a combination of transport modes. J.B. Hunt and Santa Fe Pacific, for example, expanded their intermodal operations in 1991. Hunt trucks freight to Santa Fe's railhead in Chicago for transport to Los Angeles, where another Hunt truck picks up the container again for delivery both locally and to neighboring states.

The air freight industry also felt the sting of the recession. Many customers were willing to wait a few more hours or even an extra day for packages. In response, both Federal Express and Airborne Freight expanded their "deferred" services.

In the shipping industry, American President Cos., which operates container ships in the Pacific, benefited from moving military freight to the Middle East during the Gulf war and moving this equipment back to the U.S. after the war ended. But Alexander & Baldwin, which operates ships between Hawaii and the U.S. Pacific Coast, was hurt by the war and the recession, which led to a steep drop in tourism on the island. ■

"The enemy was us"

Eli Reichman

Union Pacific's Richard Davidson
Weeding out redundancy.

In the mid-1980s Union Pacific Railroad, the nation's second-largest railroad, was running on the wrong track. Customers were alienated, shareholders were angry and truckers were taking away sales.

This began to change in 1986 when former Secretary of Transportation Drew Lewis was hired to run the railroad. Since 1986 Lewis, who quickly moved up to become the parent's chairman, has turned the railroad into one of America's most efficient lines.

Recognizing that low-density lines bring little profit and are best left to short-haul operators that use nonunion labor, Lewis shed nearly 3,000 miles of Union Pacific's unprofitable track.

Of equal importance, Lewis cut management ranks by half, wiping out 800 jobs in the process. He also got tough with the unions. The number of Union Pacific's rail employees fell from 43,000 in 1984 to 29,500 last year. Union Pacific has three-member crews on 90% of its runs. The railroad has been negotiating with labor to cut yet another crew member.

"When we asked our frontline managers what was preventing them from being customer-responsive, they said the bureaucracy was standing in the way," explains Richard Davidson, a Union Pacific veteran who took over day-to-day railroad operations last year. "It was like we found the enemy and the enemy was us." After weeding out redundant managers and workers, Davidson can now brag of an 85% customer satisfaction level.

Lewis achieved much of this success by centralizing operations and using computer technology. Back in the mid-1980s the railroad had thousands of agents scattered around the western U.S. to take customer orders and handle billing. There were many more yard offices that acted as middlemen between headquarters and train crews. Lewis moved all these positions to a customer-service center in St. Louis.

Lewis also consolidated ten regional train dispatch centers into a war room in Omaha, equipped with two huge electronic panoramas, each stretching the length of a football field. This setup can follow, on screen, the movement of more than 700 trains across 19,000 miles of track. The railroad is also spending $90 million to install computers on trains.

"Prior to Drew Lewis' arrival, our holding company thought the railroad had lost its sex appeal," says Davidson. "Five years later, it has recognized that the railroad is really the crown jewel of the corporation." –R.K. ■

The words "airline" and "terminal" are often linked. In the 1990s they have a new, and painful, association.

By William Heuslein

Hard on the heels of a record $3.9 billion loss in 1990, the airlines lost another $2 billion last year—bringing the two-year deficit close to a staggering $6 billion.

The grinding industry recession—driven by too many seats and too few travelers—has proved fatal for a number of carriers. Eastern, Pan Am and Midway all stopped flying last year. Continental and America West remain under Chapter 11 bankruptcy protection. Carl Icahn's heavily indebted TWA is preparing to file a prepackaged bankruptcy by early 1992. But at the same time, TWA is flirting with a merger with Continental.

Midway, a product of airline deregulation, failed to survive after it couldn't come to final terms for its acquisition by NWA, the parent of Northwest Airlines. Privately held and financially strapped Northwest also couldn't consummate a plan to take over the operation of the still-for-sale Trump Shuttle. The shutdown of Pan Am put 7,500 people out of work and closed the books on a pioneer in U.S. aviation history.

In the months before Pan Am collapsed, would-be savior Delta paid over $400 million for Pan Am's Northeast shuttle, its remaining transatlantic routes, its Frankfurt hub and its European operations. Delta was also supposed to have a 45% stake in a reorganized Pan Am. But after providing Pan Am with $115 million in emergency operating cash, Delta abruptly turned off the faucet in December and pulled away from its financing deal.

Following Pan Am's shutdown, its JFK-to-Mexico City route was auctioned off to Delta for $25 million. Pan Am's last important assets, the remaining Latin American route authorities, were won by UAL's United Airlines, which came up with a bid of $135 million in cash. (The deals are still subject to government approval.)

Does the shakeout mean a turnaround is coming? "This was a purging process that was necessary to get rid of excesses in the system," says industry analyst Kevin Murphy of Morgan Stanley. Certainly Delta, United and

Travel	**Profitability**				**Growth**				**Sales**	**Net income**	**Profit margin**
	Return on equity		Return on capital		Sales		Earnings per share				
Company	5-year average %	latest 12 mos %	latest 12 mos %	Debt/ capital %	5-year average %	latest 12 mos %	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Airlines											
UAL	25.6	def	def	41.1	9.0	9.0	NM	P-D	11,556	-203	def
Southwest Airlines	9.7	2.2	2.3	37.2	11.2	10.8	8.0	-76.9	1,264	13	1.1
Alaska Air Group	9.2	def	2.0	55.9	20.6	8.2	NM	P-D	1,097	1	0.1
AMR	8.6	def	def	54.8	15.7	10.5	NM	P-D	12,485	-330	def
Delta Air Lines	6.1	def	def	32.5	16.0	10.4	NM	P-D	9,526	-260	def
USAir Group	def	def	def	50.4	36.5	1.8	NM	D-D	6,509	-528	def
America West Airlines	def	def	def	106.8	41.3	15.1	NM	D-D	1,436	-224	def
Continental Airlines	def	NE	def	NE	22.4	-15.6	NM	D-D	5,552	-2,555	def
Medians	7.3	def	def	45.7	18.3	9.7	NM	P-D	6,031	-242	-2.7
Hotels & gaming											
Circus Circus	42.1	53.0	16.1	54.5	15.9	25.3	27.3	32.8	795	99	12.5
Carnival Cruise Lines	34.1	20.7	12.1	44.0	35.1	13.9	22.3	2.6	1,505	216	14.4
Caesars World	22.5	20.3	13.7	48.4	5.1	2.9	7.6	73.0	906	58	6.5
Marriott	19.1	0.2	4.7	77.3	12.6	6.8	-11.9	-99.0	8,143	1	0.0
Hilton Hotels	14.9	8.9	6.6	34.0	9.8	10.1	3.4	-25.1	1,117	82	7.3
Mirage	12.9	16.8	8.7	73.8	NM	17.3	NM	-14.0	894	27	3.0
Aztar	5.5	0.2	3.4	34.2	-5.4	0.7	NM	-99.1	486	2	0.4
Bally Manufacturing	def	def	def	76.0	8.8	-16.4	NM	D-D	1,724	-221	def
Promus Cos	NA	4.4	5.2	66.3	5.2	2.7	NA	NA	1,019	12	1.2
Medians	17.0	8.9	6.6	54.5	8.8	6.8	-4.3	-19.5	1,019	27	3.0
Industry medians	9.4	0.2	2.3	50.4	12.6	9.0	NM	P-D	1,436	1	0.1
All-industry medians	13.2	9.9	7.6	32.4	11.3	3.7	4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

American have all been able to expand their international operations. But Samuel Buttrick, an analyst at Kidder, Peabody, warns that while survivors are now in a better position to face heavy competition from foreign carriers, many of which are government subsidized, investors shouldn't get carried away. "Moving from an industry that competes on a national basis to one that competes on a global basis should not necessarily be viewed as a competitive shift that will produce windfall profits," he says.

How about the hotel business? It's feeling the grips of the recession and business travel cutbacks, too. The industry is battling overcapacity, collapsing property values, high fixed operating costs and hefty debt service.

Gambling hasn't been left unscathed, either. Revenue growth in Las Vegas last year was half of the 1990 pace. More casino operators, such as Stephen Wynn's Mirage Resorts and Kirk Kerkorian's MGM Grand, are getting into family resorts, theme-park-like amenities and casinos for low- and middle-income gamblers—a market first identified by Circus Circus Enterprises. With more revenue-hungry states looking at legalizing gambling, this could be a timely move for the Nevada casino operators.

Managing for the long haul

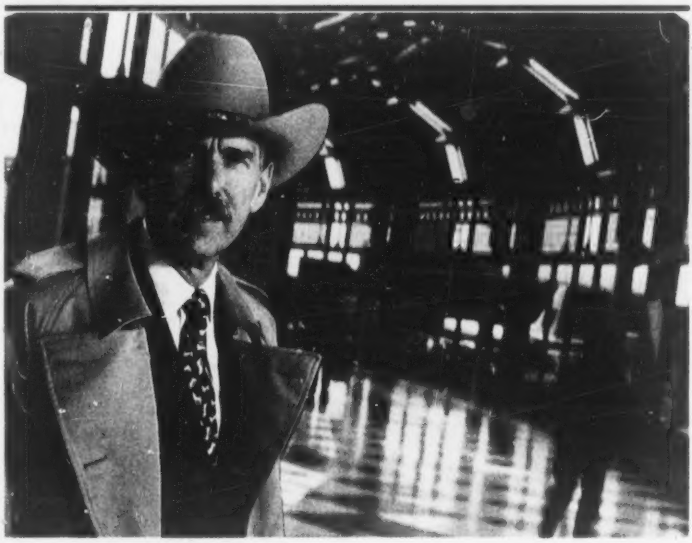
HOW DOES an airline become more efficient than its competitors? One way is with new, fuel-sipping aircraft. Chicago-based UAL, the parent of United Airlines, has a four-year, $15.8 billion spending program in place—with 223 fuel-efficient Boeing planes on order. As the decade progresses this could help United close the gap with American (AMR), which has decided to scale back its own ambitious capital-spending program because of lower profits.

At the moment profits are elusive for United as well: The company expects record losses in 1991. Matters are not helped by the fact that United is up against two Chapter 11 carriers—Continental and America West—which have resorted to discount pricing.

Despite these problems, Chairman and Chief Executive Stephen Wolf and Chief Financial Officer John Pope haven't backed down on their plan to make United a global leader. It still has a respectable balance sheet; its debt-to-capital of 41% is below the industry average. And there's a nest egg of $1.3 billion in cash, making it possible for Wolf and Pope to build an efficient international route structure.

The core routes in each of United's international divisions—the Pacific, the Atlantic and, soon, Latin America—were once operated by Pan Am. Remember that Pan Am's dominant problem was that it had an entirely insufficient domestic route structure to feed its international network. United doesn't suffer from that.

Many of the new assets have come to UAL at bargain prices. Its acquisition cost of Pan Am's routes to London's Heathrow ($290 million) was lower than what Dallas-Fort Worth-based American paid for TWA's Heathrow routes ($445 million). The same holds true for United's recent $135 million winning bid for Pan Am's Latin American route system ($100 million below United's offer last summer for the operations). In contrast, AMR paid $425 million in 1990 to acquire Eastern's Latin routes.



Lewis Toby

Stephen Wolf, UAL Corp. chief executive **He's facing record losses but still snatching up choice assets from weaker carriers.**

On the domestic front, UAL recently proposed a $76 million offer for Air Wis Services (Air Wisconsin), which would become the first UAL-owned commuter carrier in its network of four feeder lines. The goal? To have one seamless airline that can feed in customers from small-town airports such as Oshkosh and Cedar Rapids and take them as far as Seattle or Tokyo.

UAL and its management survived the collapse of the corporate takeover attempt in 1990 with little damage to reputation and credibility. These days relative labor harmony has replaced a contentious atmosphere.

Now, with most of UAL's distractions left behind, Wolf and Pope are managing the airline for the long haul. –W.H.

WHO'S WHERE IN THE STOCK MARKET

Wall Street had a good year in 1991: Through mid-December the S&P 500 gained 14%. But over the last five years, half the stocks in this survey did not do as well as risk-free Treasurys.

By Timothy Dodman

Over the past five years, the FORBES universe of 1,180 industry survey stocks (excluding Biotech stocks) fared only slightly better than the market, averaging a 58% increase, compared with a 56% gain in the S&P 500 since Dec. 31, 1986.

Plugged into our average performance is the 1,073% gain for Jacobs Engineering and Savin's 97% loss. The median stock in our survey, 556th-ranked American Bankers Insurance, gained only 26% over the past five years. Which means that, excluding dividends, more than half the stocks followed in this issue didn't do as well as risk-free T bills, which returned 41% over the same period.

How will the market do this year? Last year the bellwether S&P 500 rose about 14% through mid-December. That increase came despite consensus forecasts which showed that 1991 earnings of the S&P 500 would be off about 9%. This year profits for the S&P 500 are expected to rise 31%, according to the consensus earnings estimates provided by the Institutional Brokers Estimate System. Does that mean hefty market gains?

Joseph Battipaglia, director of research at Gruntal & Co., thinks those earnings estimates are too optimistic. But he also thinks that in the long run management's response to the recession and the slow recovery may be beneficial. Why? Battipaglia notes that corporations took advantage of a receptive stock market last year to offer additional shares to the public. This strengthened balance sheets and reduced financial leverage. Also, companies have been paring staff and cutting capacity. He thinks growth will remain sluggish through the first half of 1992, but once the economy starts to pick up steam, the increased earnings leverage should boost profits—and the market.

With a 1,600% five-year price gain, U.S. Surgical, a member of the top-ranked health care industry, is the best-performing stock in this year's survey. Based in Norwalk, Conn., U.S. Surgical has more than 70% of the $560 million (sales) surgical stapler market. U.S. Surgical was on the FORBES list of best small companies in America three times in the 1980s. As recently as last year the company—which now has sales of $755 million—was too small to qualify for this survey of larger U.S. corporations.

Another big winner was Home Depot, the chain of warehouse-style home improvement centers. Can Home Depot continue to count on do-it-yourselfers to keep its stock on Wall Street's top shelf? All we can report is that a few security analysts are in sharp disagreement about the company's net worth.

As was the case last year, a good number of the worst-performing stocks are in the financial services industry. HomeFed and CalFed both lost more than 90% during the past five years, while American Capital, off 98%, is the worst performer in this survey.

In order to be ranked in the following table, a firm must be publicly traded as of Dec. 30, 1988. Three-year price histories are footnoted "b," and four-year histories are footnoted with an "a." Companies that underwent a major merger or reorganization since 1986 are not ranked if the event significantly affected stockholders' equity. ■

The best companies of 1986-91

Company	5-year price change	Recent price
US Surgical	1,599%	94
Home Depot	1,560	58⅝
Blockbuster	1,414	11⅛
Novell	1,356	46⅞
Stewart & Stevenson	1,222	54
Microsoft	1,100	96½
Jacobs Engineering	1,073	24
Conseco	956	59⅜
Thorn Apple Valley	914	35½
NIKE	868	56⅞

Note: Except as indicated, price changes are from Dec. 31, 1986 to Nov. 20, 1991. b: Three-year price change.

The worst companies of 1986-91

Company	5-year price change	Recent price
American Capital	–98%	⅛
HomeFed	–98	½
Sudbury	–97	¼
Savin	–97	⅛
MLX	–97	⅛
MAI Systems	–97	⅜
Finevest Foods	–97b	¼
Eagle-Picher Inds	–97	1¼
Continental Airlines	–96	1⅜
CalFed	–96	1⅜

WHO'S WHERE IN THE STOCK MARKET

Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
869	AAR Corp	-20.6	12⅜	1.30	3.9
130	Abbott Laboratories	154.2	58	2.96	1.7
412	Acme Steel	51.9	15	1.24	0.0
624	Adia Services	16.4	17¾	1.40	0.9
796	Advanced Micro	-7.3	12¾	1.15	0.0
89	ADVO-System	198.2	20⅞	1.33	0.0
918	Aetna Life & Cas	-33.0	37¾	5.56	7.3
NR	Affiliated Pubs	NA	8	0.25	3.0
922	HF Ahmanson	-33.5	14⅜	2.30	6.1
NR	Air & Water Tech	NA	18⅞	0.64	0.0
249	Air Express Intl	95.8	17⅝	1.82	0.9
254	Air Prods & Chems	92.5	67⅝	4.68	2.3
485	Airborne Freight	38.1	20⅝	2.13	1.5
NR	Akzo	NA	35¼	4.36	4.8
745	Alaska Air Group	0.0	20	1.76	1.0
576	Albany International	22.6a	16¼	1.21	2.2
106	Alberto-Culver	176.9	27	1.39	0.8
67	Albertson's	239.5	36½	2.27	1.5
375	Alcan Aluminium	59.3	20	0.69	3.0
384	Alco Standard	57.6	33	2.53	2.8
895	Alexander & Alexander	-25.5	19¾	1.29	5.1
639	Alexander & Baldwin	14.4	25¾	2.23	3.4
894	Alexander's	-24.7	29¾	NA	0.0
359	Alleghany	62.8	99½	8.32	0.0
470	Allegheny Ludlum	40.9ac	23⅛	2.31	3.8
745	Allegheny Power	0.0	44¼	3.77	7.1
524	Allen Group	30.2	20½	1.86	0.2
NR	Allergan	NA	21⅛	1.54	1.7
NR	Alliant Techsystems	NA	21⅞	4.66	0.0
1091	Allied Products	-89.4	3½	-0.24	0.0
767	Allied-Signal	-2.5	39⅛	3.62	2.6
206	Alltel	110.7	36⅞	2.65	4.0
313	Alcoa	72.0	58¼	5.06	3.1
1080	AM International	-84.3	1	0.05	0.0
383	AMAX	57.7	19⅛	1.20	4.2
971	AMC Entertainment	-44.3	4⅞	0.16	0.0
649	Amdahl	13.4	13¼	1.41	0.8
180	Amerada Hess	119.5	52⅛	3.08	1.2
1081	America West Airlines	-84.6	1½	-0.93	0.0
556	American Bankers	25.9	17⅝	2.44	3.4
280	American Brands	82.4	38¾	4.43	4.5
381	American Building	58.5	33⅞	NA	2.8
1113	American Capital	-98.4	1/16	NA	0.0
441	American Cyanamid	46.1	56⅞	4.59	2.6
660	American Electric	12.3	30⅞	2.92	7.8
925	American Express	-33.8	18¾	2.49	5.3
227	American Family	101.0	26⅛	2.07	1.5
689	American General	7.8	39¾	4.57	5.0
479	American Greetings	39.5	36⅝	3.17	2.1
257	American Home Prods	91.5	73⅝	4.76	3.5
335	American Intl Group	67.7	82	7.83	0.6
755	American Maize	-0.6	19⅜	2.50	3.3
NR	American Medical	NA	8¾	NA	0.0
818	American Natl Ins	-10.4	36¾	4.09	5.1
155	American Oil & Gas	140.0	12	0.76	0.0
471	American President	40.7	36¾	3.83	1.6
687	American Stores	8.5	29½	3.45	2.4
442	American Tel & Tel	46.0	36½	2.96	3.6
636	American Water Works	15.2	23¼	2.27	3.7
497	Ameritech	35.8	60	4.82	5.7
388	Ameritrust	56.8	29½	1.96	2.2
626	Ameron	16.2	35	NA	3.7
1101	Ames Dept Stores	-95.2	1⅛	NA	0.0
775	Ametek	-4.3	12½	1.04	5.4
414	Amoco	51.7	49½	3.76	4.4
454	AMP	42.9	51⅝	2.96	2.8
663	AMR	11.7	59⅞	4.76	0.0
743	AmSouth Bancorp	0.4	31⅝	3.55	4.6
791	Anacomp	-6.7	3½	0.50	0.0
1005	Analog Devices	-52.8	7⅜	0.77	0.0
738	Anchor Bancorp	1.3a	5	NA	0.0
469	Angelica	41.1	33⅞	2.82	2.6
225	Anheuser-Busch Cos	101.4	52⅝	3.70	2.1
NR	AnnTaylor Stores	NA	16⅛	1.48	0.0
489	Aon	37.4	36¼	4.08	4.4
438	Apogee Enterprises	47.1	12½	NA	2.1
140	Apple Computer	149.4	50½	4.13	1.0
871	Applied Magnetics	-20.6	5⅝	0.05	0.0
133	Applied Materials	152.6	24	1.95	0.0
347	Applied Power	65.6a	13¼	1.20	0.9
109	Arbor Drugs	173.9	21	1.01	0.7
101	Archer Daniels	181.3	27	1.76	0.4
419	Arden Group	50.2	40	NA	0.0
56	Argonaut Group	264.3	25½	3.42	2.7
873	Arkla	-21.1	15	1.17	7.2
814	Armco	-9.8	4⅝	0.39	0.0
753	Armstrong World Inds	-0.4	29¾	2.34	4.0
172	Arrow Electronics	128.6	14	1.25	0.0
892	Arvin Industries	-24.6	21⅛	1.74	3.2
385	Asarco	57.1	23⅜	2.00	6.8
717	Ashland Oil	3.6	29	3.24	3.4
122	AST Research	160.2	16¾	2.38	0.0
1059	Atari	-75.2	1¾	NA	0.0
1013	Guy F Atkinson	-54.2	6¾	0.20	0.0
416	Atlanta Gas Light	51.6	36	2.43	5.7
699	Atlantic Energy	6.0	39⅝	3.44	7.6
270	Atlantic Richfield	85.2	111⅛	8.84	4.9
203	Automatic Data	112.1	37⅜	1.82	1.1
NR	AutoZone	NA	49⅞	1.59	0.0
711	Avery Dennison	4.8	21⅝	1.44	3.7
770	Avnet	-3.4	24⅞	1.75	2.4
468	Avon Products	41.2	38⅛	3.45	3.7
1055	Avondale Industries	-73.2b	4⅛	-0.21	0.0
812	Aztar	-9.4	6	0.35	0.0
825	J Baker	-11.7	9⅛	1.38	0.7
424	Baker Hughes	49.5a	20⅜	1.52	2.3
774	Ball Corp	-4.3	33¾	2.74	3.6
1070	Bally Manufacturing	-80.4	3⅞	0.16	0.0
779	Baltimore G&E	-4.8	32¼	2.82	6.5
173	Banc One	127.5	43	3.50	2.7
194	Bancorp Hawaii	115.3	43½	4.45	2.8
123	Bandag	159.4	113	6.34	1.1
1023	Bank of Boston	-57.2	11⅜	0.77	0.0
880	Bank of New York	-21.9	30⅜	3.80	5.0
149	BankAmerica	143.6	35⅝	5.22	3.4
495	Bankers Trust NY	35.9	61½	7.88	4.1
426	Banta	49.3	26⅞	2.53	2.2
439	CR Bard	46.9	26⅝	1.37	1.8
579	Barnes Group	22.1	37¼	3.55	3.8
759	Barnett Banks	-1.2	30⅞	2.60	4.3
NR	Baroid	NA	5¾	0.46	3.5
790	Bassett Furniture Ind	-6.6	35¼	2.69	2.8
126	Bausch & Lomb	155.6	50	2.89	1.4
258	Baxter International	89.0	36⅜	2.35	2.0
993	BayBanks	-50.3	18⅝	0.82	0.0
511	Bear Stearns Cos	33.2	14⅞	1.78	4.0
529	Bearings	29.8	19¼	1.50	3.3
781	Beckman Instruments	-5.0b	16¾	1.57	1.7
566	Becton Dickinson	23.8	61⅞	5.41	1.9
509	Bell Atlantic	33.3	45	3.66	5.6
958	Bell Industries	-42.9	9¾	0.72	4.1
580	BellSouth	22.1	47	3.44	5.9

Note: Except as indicated, price changes are from Dec. 31, 1986 to Nov. 20, 1991. NR: Not ranked because of merger, spinoff, reorganization, new issue or conversion to stock company.
a: Four-year price change. b: Three-year price change. c: Does not reflect special cash dividend paid. NA: Not available.
Sources: Forbes; Media General; Institutional Brokers Estimate System, from IBES, Inc., via Lotus One Source.

Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
680	**AH Belo**	9.3	27⅞	1.23	1.9
119	**Bemis**	162.8	37⅛	2.33	2.3
725	**Beneficial Corp**	2.9	57⅛	6.58	4.6
208	**Bergen Brunswig**	108.9	20⅛	1.62	2.0
403	**WR Berkley**	54.3	27	3.07	1.2
91	**Berkshire Hathaway**	195.2	8325	327.50	0.0
205	**Best Buy Co**	110.8	33⅜	1.52	0.0
248	**Bethlehem Steel**	96.0	12¼	1.57	3.3
103	**Betz Laboratories**	179.5	56¼	2.68	2.2
996	**Beverly Enterprises**	-51.1	8	0.59	0.0
686	**Big B**	8.6	12⅝	1.10	1.3
449	**Bindley Western Inds**	44.4	17⅞	1.32	0.3
393	**Birmingham Steel**	56.3	18¾	1.55	2.7
766	**Black & Decker**	-2.3	15⅞	1.36	2.5
404	**Blair**	54.3	45⅛	4.00	4.9
84	**H&R Block**	208.9	34¾	1.78	2.5
160	**Block Drug**	137.5	55⅞	NA	1.6
3	**Blockbuster**	1413.6	11⅛	0.75	0.0
1011	**Blount**	-53.1	5¾	NA	7.8
548	**Boatmen's Bancshs**	26.7	44½	4.44	4.9
415	**Bob Evans Farms**	51.6	20⅛	1.30	1.4
242	**Boeing**	97.5	44⅞	4.93	2.2
924	**Boise Cascade**	-33.8	23¾	-0.53	6.4
525	**Borden**	30.1	30½	2.60	3.7
824	**Boston Edison**	-11.7	22¾	2.06	6.9
929	**Bowater**	-34.2	20	1.26	6.0
655	**Briggs & Stratton**	12.8	39¾	3.09	4.0
34	**Brinker Intl**	336.8	45⅝	1.64	0.0
246	**Bristol-Myers Squibb**	97.0	81⅜	4.73	2.9
351	**British Petroleum**	64.7	71⅝	4.73	6.8
NR	**Broad**	NA	15¾	2.28	1.3
117	**Broken Hill**	164.0	46½	2.96	2.7
906	**Brooke Group**	-28.3a	5⅜	0.51	10.4
539	**Brooklyn Union Gas**	28.3	29½	2.46	6.4
293	**Brown-Forman**	78.5	72⅛	6.22	3.1
888	**Brown Group**	-23.6	26⅜	2.38	6.1
874	**Browning-Ferris Inds**	-21.2	17⅝	1.36	3.9
303	**Bruno's**	75.2	13¼	0.82	1.5
916	**Brunswick**	-32.8	11⅜	0.98	3.9
592	**Burlington Coat**	20.3	19¼	1.64	0.0
389	**Burlington Northern**	56.8b	36¼	3.24	3.3
588	**Burlington Resources**	21.1b	39½	1.79	1.8
1031	**Butler Manufacturing**	-61.0c	11½	0.74	0.0
311	**Cablevision Systems**	72.8	32⅝	-13.31	0.0
721	**Cabot**	3.3	31	2.91	3.4
360	**Caesars World**	62.5	30⅞	2.36	0.0
NR	**Caldor**	NA	14½	2.23	0.0
1104	**CalFed**	-95.9	1⅜	0.63	0.0
785	**CalMat**	-5.8	19⅛	1.51	3.3
133	**Campbell Soup**	152.6	36	3.83	1.6
613	**C&S/Sovran**	17.9	28⅞	2.43	5.4
428	**Capital Cities/ABC**	49.2	400	27.47	0.1
361	**Capital Holding**	62.4	49¾	6.42	2.4
40	**Cardinal Distribution**	319.6	30⅝	1.54	0.3
458	**Carl Karcher**	42.2	8	0.94	1.0
553	**Carlisle Cos**	26.4	37¾	3.13	3.4
277	**Carnival Cruise Lines**	83.3a	22	1.98	2.4
977	**Carolina Freight**	-45.4	19⅛	1.46	3.1
550	**Carolina Power & Lt**	26.5	48⅞	4.39	6.2
396	**Carpenter Technology**	56.0	48⅜	3.96	5.0
1076	**Carter Hawley Hale**	-82.4a	1½	0.12	0.0
118	**Carter-Wallace**	164.0	99	4.30	1.0
745	**Casey's General Store**	0.0	14⅝	1.00	0.8
464	**AM Castle & Co**	41.5	10	1.13	4.0
714	**Caterpillar**	4.4	41⅞	2.39	2.9
420	**CBI Industries**	50.0	28⅞	1.96	1.7
667	**CBS**	11.0	141	10.15	0.7
662	**CDI**	12.0	6¾	0.52	0.0
287	**Centel**	80.8	30	0.73	2.9
854	**Centerior Energy**	-17.0	18⅞	1.81	8.5
597	**Centex**	19.6	37⅜	3.19	1.1
433	**Central & So West**	48.2	50¾	4.16	5.8
813	**Central Hudson G&E**	-9.5	27¼	2.59	7.0
694	**Central Maine Power**	7.4	20	1.86	7.8
NR	**Central Newspapers**	NA	19½	1.13	2.1
521	**Central Steel & Wire**	30.4	600	NA	2.8
867	**Champion Intl**	-20.3	24½	1.01	0.8
713	**Charming Shoppes**	4.4	20¾	1.27	0.6
288	**Charter**	80.6	7	0.81	0.7
1004	**Chase Manhattan**	-52.3	17	3.08	7.1
889	**Chemed**	-23.7	25⅜	1.26	7.9
978	**Chemical Banking**	-45.6	23	3.30	4.3
562	**Chesapeake**	24.9	21	1.41	3.4
413	**Chevron**	51.8	68⅞	5.33	4.8
1095	**Child World**	-93.4	⅞	1.57	0.0
55	**Chiquita Brands Intl**	267.7	40¾	2.93	1.5
1012	**Chrysler**	-53.4	11½	0.63	5.2
179	**Chubb**	120.7	65⅜	6.44	2.3
175	**Church & Dwight**	126.2	29⅛	1.46	1.2
783	**Cigna**	-5.2	52⅛	5.53	5.8
804	**CILcorp**	-8.1	35½	3.06	6.9
241	**Cincinnati Bell**	97.6	20¼	1.12	4.0
264	**Cincinnati Financial**	87.2	111	9.34	2.5
457	**Cincinnati G&E**	42.3	37⅞	3.60	6.5
1034	**Cincinnati Milacron**	-62.3	7½	0.66	4.8
780	**Cipsco**	-4.9	26⅝	2.20	7.1
1103	**Circle K**	-95.7	¾	NA	0.0
467	**Circuit City Stores**	41.2	21⅝	1.82	0.5
59	**Circus Circus**	260.8	32¼	2.28	0.0
1028	**Citicorp**	-60.4	10½	1.09	0.0
583	**Clark Equipment**	21.5	24	0.92	0.0
423	**Clorox**	49.6	37⅞	2.88	4.1
654	**CMS Energy**	12.8	17⅝	2.08	2.7
344	**CNA Financial**	66.0	89¼	5.67	0.0
1030	**Coachmen Industries**	-60.6	4⅞	0.50	1.6
1024	**Coast Savings Finl**	-57.8	5⅜	1.52	0.0
255	**Coastal Corp**	92.1	29⅞	2.70	1.3
62	**Coca-Cola**	252.3	66½	2.86	1.4
956	**Coca-Cola Bottling**	-42.3	18¾	0.44	4.7
808	**Coca-Cola Enterprises**	-8.8	13	0.44	0.4
247	**Colgate-Palmolive**	96.9	40¼	2.91	2.6
1027	**Columbia Gas System**	-59.4	18⅜	2.25	0.0
199	**Comcast**	113.5	16¼	-0.99	0.9
466	**Comdisco**	41.3	22¼	2.52	1.3
156	**Comerica**	139.2	50½	5.38	3.7
286	**Commerce Bcshs**	81.2	31¼	3.35	2.4
965	**Commerce Clearing**	-43.4	17¼	0.97	4.1
1044	**Commercial Federal**	-67.9	5⅜	2.50	0.0
542	**Commercial Intertech**	27.6	16¾	NA	4.1
357	**Commercial Metals**	63.0	19¼	1.35	2.7
594	**Commonwealth Ed**	20.3	40¾	3.84	7.4
788	**Commonwealth Energy**	-6.3	35⅝	3.30	8.2
893	**Commtron**	-24.6	6½	1.00	0.0
584	**Comsat**	21.3	34⅛	3.20	4.1
111	**Compaq Computer**	167.5	25¾	2.94	0.0
493	**Computer Associates**	36.4	9⅜	1.04	1.1
376	**Computer Sciences**	59.2	67¼	4.97	0.0
167	**ConAgra**	133.2	29⅝	2.88	1.8
304	**Conner Peripherals**	74.6b	13¾	1.94	0.0
8	**Conseco**	955.6	59⅜	5.41	0.3
704	**Consolidated Edison**	5.6	24⅞	2.40	7.5
1025	**Consol Freightways**	-57.9	12⅝	1.04	0.0

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WHO'S WHERE IN THE STOCK MARKET

Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
535	Consol Natural Gas	28.7	42	2.66	4.5
476	Consolidated Papers	39.8	36	2.45	3.6
116	Consolidated Rail	164.3a	73	6.81	2.5
864	Consolidated Stores	-19.4	10⅞	0.56	0.0
437	Constar Intl	47.1	32	2.53	2.0
1105	Continental Airlines	-95.9	1⅜	-0.98	0.0
1017	Continental Bank	-55.2	9⅝	1.75	6.2
964	Continental Corp	-43.3	25⅜	0.26	10.2
1038	Control Data	-64.5	9⅜	0.97	0.0
150	Cooper Industries	142.9	50¼	3.53	2.3
18	Cooper Tire & Rubber	477.1	37⅞	2.11	0.7
857	Adolph Coors	-18.2	19⅝	1.61	2.5
565	CoreStates Financial	23.8	44¼	4.59	4.5
110	Corning	167.9	73½	3.78	1.4
15	Costco Wholesale	587.8	46	1.40	0.0
220	CPC International	103.5	80⅝	5.89	2.7
474	Crane	40.3b	21¾	2.01	3.4
75	Crawford & Co	223.7	27¼	1.20	1.3
960	Cray Research	-43.0	46⅛	4.49	0.0
935	Crestar Financial	-37.1	18	2.09	4.4
278	Crown Central Pet	82.7	23¾	3.18	3.4
137	Crown Cork & Seal	150.9	86¼	5.19	0.0
291	CRSS	80.0	8⅝	0.55	1.4
811	Crystal Brands	-9.2	16⅛	2.31	1.2
297	CSX	76.8	51½	4.65	3.0
NR	CUC International	NA	26	1.23	0.0
1003	Culbro	-52.3	18⅜	NA	4.4
910	Cummins Engine	-30.4	46¾	2.25	0.4
807	Curtice Burns Foods	-8.7	11⅞	0.85	5.4
878	Cyclops Industries	-21.8a	19¾	NA	0.0
252	Cyprus Minerals	93.9	21	1.84	3.8
839	Dairy Mart	-13.7	7¼	NA	0.0
886	Dana	-23.3	26¾	1.99	6.0
87	Danaher	205.0	18⅞	1.74	0.0
1016	Dart Group	-55.0	67	NA	0.2
991	Data General	-49.8	14⅞	2.15	0.0
1009	Datapoint	-52.9	3	NA	0.0
477	Dayton Hudson	39.7	59⅜	5.95	2.4
362	Dean Foods	62.2	30	2.21	1.9
190	Deere & Co	116.9	49⅝	3.37	4.0
745	Delchamps	0.0	21¾	1.20	2.0
183	Dell Computer	118.8b	21⅞	2.32	0.0
792	Delmarva Power & Lt	-6.8	20½	1.74	7.5
577	Delta Air Lines	22.3	58⅞	2.43	2.0
83	Delta Woodside Inds	208.9a	21⅝	2.01	1.4
703	Deluxe	5.7	37¼	2.53	3.4
218	Detroit Edison	103.8	33⅝	3.53	5.6
820	Dexter	-10.7	19⅞	1.70	4.4
488	Dial	37.5	42⅝	3.42	3.3
158	Diamond Shamrock	138.6a	20⅞	2.58	2.5
32	Dibrell Brothers	360.0	28¾	1.83	1.7
697	Diebold	6.8	48⅞	2.72	3.3
954	Digital Equipment	-42.2	60½	4.12	0.0
74	Dillard Dept Stores	224.8	123	7.18	0.2
1068	Dime Savings Bank FSB	-80.0	3⅝	0.08	0.0
142	Walt Disney	149.0	107⅜	6.29	0.7
1019	Dixie Yarns	-56.3	7⅞	0.68	2.5
266	Dole	86.4	35⅞	3.17	1.1
310	Dollar General	72.9	20⅝	1.10	1.0
976	Dominion Bankshares	-45.1	10½	1.01	4.2
544	Dominion Resources	27.4	56⅜	4.55	6.3
196	Donaldson	114.8	36⅜	2.79	1.5
400	RR Donnelley & Sons	55.1	47½	3.21	2.1
852	Douglas & Lomason	-16.9	16	NA	0.6
382	Dover	58.4	35¼	2.57	2.4
526	Dow Chemical	30.1	50¾	3.68	5.1

Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
946	Dow Jones	-39.7	23½	1.31	3.2
472	DPL	40.4	23⅞	2.05	6.8
162	DQE	136.7	29	2.53	5.0
1033	Dravo	-61.9	7	1.01	0.0
215	Dresser Industries	103.9	19¾	1.46	3.0
876	Drug Emporium	-21.5b	6⅜	0.65	1.9
850	DSC Communications	-16.3	4⅞	0.23	0.0
364	EI du Pont de Nemours	61.6	45¼	3.58	3.7
495	Duke Power	35.9	30¾	2.67	5.6
819	Dun & Bradstreet	-10.5	47⅛	3.14	4.6
NR	Duracell Intl	NA	26¾	1.31	0.0
125	Durr-Fillauer	155.6	22¾	1.63	1.2
536	DWG	28.6	3⅜	NA	0.0
955	Dynatech	-42.3	17¾	1.45	0.0
573	E-Systems	23.0	36¾	3.77	2.0
NR	Eagle Food Centers	NA	7¼	1.03	0.0
1106	Eagle-Picher Inds	-96.5	1¼	NA	0.0
776	Eastern Enterprises	-4.5	26¾	2.59	5.2
734	Eastman Kodak	1.6	46½	4.36	4.3
647	Eaton	13.6	55⅞	4.63	3.9
959	Echlin	-42.9	11⅛	0.88	6.3
571	Ecolab	23.4	28⅜	2.21	2.5
261	Edison Bros Stores	88.2	31⅞	3.66	3.5
234	AG Edwards	99.4	31⅛	2.95	1.8
411	EG&G	52.2	43	3.14	2.1
434	Egghead	47.8b	17	0.77	0.0
1064	El Paso Electric	-77.3	4¼	0.61	0.0
NR	Eljer Industries	NA	7⅜	1.50	0.0
332	Emerson Electric	68.4	47	3.12	2.9
1058	Emerson Radio	-75.0	2⅜	0.26	0.0
343	Engelhard	66.1	31	2.20	2.6
276	Enron	83.5	36¼	4.31	3.6
784	Enserch	-5.4	15⅜	1.03	5.2
200	Entergy	113.3	28	2.58	5.0
515	Equifax	32.6	14½	1.14	3.6
319	Equitable of Iowa	70.7	39¼	6.52	3.3
688	Equitable Resources	8.2	39½	3.20	3.9
919	ERLY Industries	-33.3	5⅛	NA	0.0
NR	ESCO Electronics	NA	6⅝	0.14	0.0
494	Ethyl	36.0	25½	2.07	2.4
941	Everex Systems	-38.5a	4	0.23	0.0
340	Exxon	66.5	58⅜	4.59	4.6
875	Fairchild	-21.4	5½	-1.15	0.0
307	Family Dollar Stores	73.1	29	1.66	1.5
530	Fay's	29.8	9¼	0.98	2.2
951	Federal Express	-41.6	36⅞	3.31	0.0
NR	Federal Home Loan Mtg	NA	99⅜	10.43	2.0
872	Federal-Mogul	-20.6	15⅞	1.09	5.8
41	Federal Natl Mortgage	318.7	56⅞	5.71	2.1
272	Federal Paper Board	84.7	25¾	2.67	3.9
42	Federal Signal	306.5	26⅞	1.56	2.0
124	Ferro	156.7	33⅜	2.44	1.9
108	FHP International	174.3	12	1.13	0.0
1020	Fieldcrest Cannon	-56.3	14⅝	1.10	0.0
86	Fifth Third Bancorp	205.4	61¾	3.92	1.9
653	Figgie Intl	12.8	20½	1.97	2.4
410	Fina	52.5	65¾	NA	4.9
1107	Finevest Foods	-96.6b	¼	NA	0.0
931	First American Corp	-36.4	16⅜	1.34	0.0
822	First American Finl	-11.3	10¾	0.80	3.7
800	First Bank System	-7.5	23⅛	2.34	3.5
NR	First Brands	NA	27⅝	2.74	0.1
845	First Chicago	-15.3	24¼	3.43	8.2
1099	First City Bncp Texas	-94.8b	1⅜	-6.75	0.0
847	First Fidelity Bncp	-15.4	29⅝	3.47	4.1
96	First Financial Mgmt	186.0	43⅛	3.42	0.2

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WHO'S WHERE IN THE STOCK MARKET

Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
948	First Interstate Bncp	-40.9	30¾	2.94	0.0
453	First Mississippi	43.1	9⅛	0.48	3.3
503	First of America Bank	34.5	28¼	3.12	4.5
314	First Security	71.4	26	2.87	3.5
603	First Tennessee Natl	19.1	36⅝	4.27	4.9
620	First Union	17.1	28¼	3.12	4.0
296	Firstar	77.1	42½	4.68	3.4
962	FirstFed Michigan	-43.2	13	2.40	0.0
NR	Fisher-Price	NA	30⅝	1.66	0.0
786	Fleet/Norstar Finl	-5.9	21⅞	1.66	3.7
513	Fleetwood Enterprises	33.0	33¾	2.71	2.6
706	Fleming Cos	5.4	36½	3.60	3.3
652	Florida Progress	12.9	44¾	3.58	6.1
843	Florida Rock Inds	-15.0	21¼	NA	2.4
840	Flowers Industries	-13.7	13⅞	0.95	5.0
79	Fluor	218.5	36⅝	2.24	0.9
282	FMC	82.0	46⅞	5.03	0.0
77	Food Lion	222.4	19¾	0.77	0.8
728	Foodarama Supermkts	2.3	16½	NA	0.0
836	Ford Motor	-13.3	24⅜	1.62	6.6
981	Foremost Corp of Amer	-46.4c	20½	2.07	5.3
302	Foster Wheeler	75.2	23	1.55	2.3
NR	Foundation Health	NA	26	2.37	0.0
673	FPL Group	10.3	34⅞	2.82	6.9
174	Freeport-McMoRan	127.4	41½	1.97	6.0
431	Fremont General	48.8	24	3.85	3.7
NR	Fruehauf Trailer	NA	11	1.67	0.0
31	Fruit of the Loom	365.0a	23¼	1.77	0.0
193	HB Fuller	115.4	54⅛	3.38	1.1
945	Fuqua Industries	-39.6	13¾	1.13	2.6
732	Gannett	1.9	36¾	2.46	3.4
20	Gap	466.4	50⅝	1.80	0.6
401	GATX	54.6	26	3.49	4.6
1066	Gaylord Container	-78.6b	3⅛	-1.00	0.0
250	Geico	95.2	192¼	13.60	1.2
1018	GenCorp	-55.9	10⅞	1.07	5.5
851	General Cinema	-16.4	18½	0.98	2.8
901	General Dynamics	-27.5	49⅛	6.58	2.0
397	General Electric	55.8	67	5.69	3.0
980	General Host	-46.2	7⅛	NA	4.8
88	General Mills	204.3	65⅝	3.49	2.3
794	General Motors	-7.2	30⅝	1.89	5.2
37	General Motors EDS	333.1	53⅞	2.67	1.2
861	GM Hughes Electronics	-19.1	15⅝	1.68	4.6
182	General Public Utils	118.8	24¾	2.60	6.1
362	General Re	62.2	90	7.07	1.9
658	General Signal	12.4	49¾	4.02	3.6
356	Genesco	63.0	5½	0.55	0.0
NR	Geneva Steel	NA	19	2.28	0.0
917	Genlyte Group	-32.9b	5⅞	0.67	0.0
186	Genovese Drug Stores	118.2	14⅛	1.20	1.7
429	Genuine Parts	49.1	42⅞	2.94	3.4
NR	Georgia Gulf	NA	21½	2.24	0.0
532	Georgia-Pacific	29.4	47⅞	2.59	3.3
73	Gerber Products	225.1	67¼	4.31	2.1
856	Getty Petroleum	-18.2	13⅜	NA	2.1
318	Giant Food	71.0	21⅜	1.97	3.1
420	Gibson Greetings	50.0	24	2.85	1.5
64	Gillette	247.2	42¾	2.29	1.5
891	Gitano Group	-24.4b	15⅞	1.81	0.0
184	PH Glatfelter	118.5	53¼	3.72	2.3
46	Glaxo Holdings	295.2	30⅜	1.23	2.2
1073	GlenFed	-82.0	4⅜	1.62	0.0
232	Golden West Finl	100.0	34⅞	4.02	0.6
801	BF Goodrich	-7.9	39¼	2.48	5.6
635	Goodyear	15.2	48¼	3.05	0.8
547	Goulds Pumps	27.1	20½	1.68	3.9
377	WR Grace	59.2	38½	2.81	3.6
229	WW Grainger	100.0	43½	2.74	1.4
NR	Granite Construction	NA	21¾	2.03	0.9
393	Great American Mgmt	56.3	25	NA	0.0
633	Great A&P Tea	15.4	27⅛	3.09	2.9
21	Great Lakes Chemical	465.3	101¾	6.06	0.6
865	Gt Western Financial	-20.0	14⅞	2.37	5.9
508	Grey Advertising	33.7	123	NA	2.4
1039	Grossman's	-64.5	2¾	0.50	0.0
834	Grow Group	-13.1	9⅝	NA	0.0
899	Grumman	-27.0	17⅞	2.61	5.6
368	GTE	61.2	31⅜	2.21	5.4
664	Guilford Mills	11.6	27¾	2.33	2.9
516	Gulf States Utils	32.2	9¾	0.85	0.0
1068	Hadson	-80.0	1⅛	NA	0.0
1062	Frank B Hall	-77.2	3¼	-0.03	0.0
522	Halliburton	30.3	31¾	1.98	3.1
554	Handleman	26.3	16	1.36	2.5
987	Handy & Harman	-48.7	10⅛	1.00	2.0
280	MA Hanna	82.4	23¼	1.98	2.8
139	Hannaford Bros	150.4	42¼	2.65	1.2
631	Hanover Insurance	15.7	36¾	2.24	1.2
323	Hanson	70.1	18½	1.95	7.2
12	Harley-Davidson	609.5	37¼	3.44	0.0
939	Harman International	-38.0	7¾	0.80	0.0
575	Harnischfeger Inds	22.7	18¼	1.95	2.2
312	Harper Group	72.7	28½	2.21	0.9
870	Harris Corp	-20.6	23⅝	2.43	4.4
685	Harsco	8.8	27⅞	3.10	4.7
191	Hartford Steam Boiler	116.4	51	3.10	3.9
1047	Hartmarx	-69.9	8⅛	0.63	7.4
309	Hasbro	73.1	33¾	2.60	0.7
632	Hawaiian Electric	15.5	36⅜	2.83	6.2
907	Hechinger	-28.4	12	1.00	0.5
263	HJ Heinz	87.7	38	2.56	2.8
146	Helene Curtis Inds	145.0	35⅜	2.32	0.6
NR	Henley Group	NA	23¾	NA	0.0
849	Hercules	-15.6	42¾	3.38	5.2
406	Hershey Foods	53.8	37⅞	2.71	2.6
644	Hewlett-Packard	14.0	47¾	4.06	1.0
999	Hexcel	-51.7	11¾	0.92	3.7
1071	Hibernia	-80.5	2⅞	0.25	0.0
1097	Highland Superstores	-94.3	1	NA	0.0
131	Hillenbrand Inds	154.2	59¼	2.72	1.0
NR	Hillhaven	NA	2¼	0.01	0.0
1081	Hills Dept Stores	-84.6a	1	NA	0.0
604	Hilton Hotels	19.0	40	2.37	3.0
61	Holly Corp	252.7c	28	4.00	2.1
NR	Holnam	NA	4	NA	0.0
2	Home Depot	1560.3	58⅝	1.49	0.2
1043	Home Shopping	-67.0	6⅛	0.40	0.0
1112	HomeFed	-98.1	½	-2.60	0.0
561	Homestake Mining	25.1	15⅞	0.13	1.3
251	HON Industries	94.6	18	1.18	2.0
505	Honda Motor	34.1	23	1.36	0.9
245	Honeywell	97.0	58¼	5.18	2.8
152	Geo A Hormel	140.9	20⅝	1.33	1.5
1072	Horn & Hardart	-80.6	2⅜	NA	0.0
827	Houghton Mifflin	-12.0	28⅜	1.84	2.7
793	Household Intl	-7.1	44⅜	6.46	5.1
650	Houston Industries	13.3	39⅜	3.20	7.5
520	Howell	31.3	10½	1.27	3.0
228	Hubbell	100.9	52½	3.36	3.0
970	Hudson Foods	-44.3	8½	0.79	1.4
57	Huffy	263.8	19	1.63	1.6

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Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
908	Hughes Supply	–28.4	10⅝	0.50	1.1
267	Humana	86.3	23¾	2.55	3.8
730	JB Hunt Transport	1.9	26¼	1.64	1.1
448	Huntington Bcshs	44.6	19	2.09	4.2
716	IBP	3.9a	13¼	1.07	4.5
NR	ICF Intl	NA	8¾	0.64	0.0
1077	ICH	–82.9	3⅜	0.88	0.0
608	IES Industries	18.7	27¾	2.28	7.6
NR	Illinois Central	NA	29	2.78	0.0
877	Illinois Power	–21.7	23	1.98	3.5
163	Illinois Tool Works	136.6	61⅜	3.84	1.4
657	IMC Fertilizer Group	12.5b	49⅝	4.55	2.2
51	Imcera Group	282.1	33¾	0.56	1.2
328	Imo Industries	68.8	11½	1.45	4.3
486	Imperial Chemical Ind	37.9	86⅞	6.68	5.8
239	Imperial Holly	97.7b	15⅜	2.35	3.1
568	INB Financial	23.5	31¼	3.10	3.8
112	Inco	167.0c	31⅜	1.97	3.2
737	Independent Insurance	1.4	17¾	2.44	5.0
202	Ingersoll-Rand	112.4	47⅜	3.71	2.8
745	Ingles Markets	0.0a	6⅞	0.74	3.2
707	Inland Steel Inds	5.3	19⅞	0.68	0.0
860	Inspiration Resource	–18.4	3⅞	0.57	0.0
115	Instrument Systems	164.7	5⅝	0.52	0.0
92	Intel	194.6	41¼	4.10	0.0
19	Intelligent Electron	474.2a	22¼	2.73	0.0
1096	Interco	–93.5b	¼	NA	0.0
702	Interface	5.8	9⅛	0.88	2.6
736	Intergraph	1.5	17¼	1.80	0.0
1089	Interlake	–88.7c	4⅜	0.29	0.0
868	IBM	–20.4	95½	8.47	5.1
154	Intl Flavors & Frags	140.3	89½	4.93	2.7
371	Intl Multifoods	60.8	26	2.24	3.1
273	International Paper	84.4	69¼	5.49	2.4
NR	Intl Specialty Prods	NA	12½	0.88	0.0
138	Interpublic Group	150.7	45¾	3.05	1.8
NR	Interstate Bakeries	NA	16⅝	1.52	2.6
350	InterTAN	64.7a	24½	1.82	0.0
677	Iowa-Illinois G&E	9.9	24⅜	2.15	7.0
517	Ipalco Enterprises	32.1	31⅞	2.73	5.9
534	Itel	29.0	17¼	0.69	0.0
744	ITT	0.2	53½	6.93	3.2
7	Jacobs Engineering	1073.0	24	1.04	0.0
952	James River Corp Va	–41.7	19¾	1.55	3.0
1041	Jamesway	–66.9	3¾	0.06	0.0
367	Jefferson-Pilot	61.3	54⅝	4.53	3.1
95	Johnson & Johnson	187.2	94¼	5.12	1.7
618	Johnson Controls	17.5	33⅜	2.63	3.7
326	Jostens	69.4	30½	1.78	2.8
262	JWP	87.8	14½	1.76	0.0
950	Kaman	–41.3	8¼	1.14	5.3
378	Kansas City P&L	58.9	44½	3.62	6.3
676	Kansas City Southern	10.1	52	4.55	2.1
450	Kansas Gas & Elec	44.3	33	2.12	5.2
741	Kansas Power & Light	0.7	27⅜	2.45	6.8
504	Kaufman & Broad Home	34.5c	14⅝	1.48	2.1
235	Kellogg	99.0	51½	5.69	2.2
756	Kellwood	–1.1	23⅜	2.05	3.4
611	Kelly Services	18.1	30⅞	2.08	2.3
446	Kemper	45.0	36¼	4.67	2.5
569	Kennametal	23.4	29⅝	2.67	3.9
994	Kentucky Central Life	–50.7	9	1.57	4.9
581	Kentucky Utilities	22.1	25¼	2.14	5.9
938	Kerr Glass Mfg	–37.9	8	–0.10	0.0
478	Kerr-McGee	39.6	39¼	2.74	3.9
285	KeyCorp	81.4	40⅛	4.40	3.6

Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
185	Keystone Intl	118.2	25¾	1.44	2.5
509	Kimball International	33.3	20	1.65	3.4
168	Kimberly-Clark	132.9	46½	6.83	3.5
99	King World Prods	183.9	26½	2.40	0.0
475	Kmart	40.2	41	4.38	4.3
519	KN Energy	31.3	27¼	2.25	4.6
757	Knight-Ridder	–1.1	46⅜	3.07	3.0
237	Kroger	98.6b	17⅝	1.72	0.0
26	LA Gear	421.1	10¾	0.77	0.0
445	La-Z-Boy Chair	45.2	22⅞	1.93	2.6
745	Laclede Gas	0.0	36	NA	6.7
1005	LADD Furniture	–52.8	7⅜	0.50	1.6
559	Lafarge	25.3	11¾	0.69	2.6
268	Lancaster Colony	85.3	32	2.20	2.5
665	Lance	11.4	22	1.41	4.0
197	Lands' End	114.4	26	1.45	0.8
490	Leggett & Platt	37.4	35⅜	2.66	2.5
374	Lennar	59.5	29½	2.82	0.8
417	Leslie Fay Cos	51.1	17¾	2.06	0.0
210	Leucadia National	107.4	35¼	4.54	0.0
591	LG&E Energy	20.7	45⅛	3.65	6.5
587	Liberty Corp	21.1	22¼	3.87	2.2
487	Lifetime	37.5	24¾	2.38	0.0
223	Eli Lilly	102.0	75	5.27	2.7
373	Limited	60.6	25½	1.53	1.1
461	Lincoln Electric	41.6	250	NA	4.6
656	Lincoln National	12.7	52¼	4.94	5.6
1092	Lionel	–92.4	½	NA	0.0
617	Litton Industries	17.6	87	8.06	0.0
835	LIVE Entertainment	–13.2	9⅝	1.25	0.0
316	Liz Claiborne	71.3	36⅝	3.05	1.0
841	Lockheed	–14.0	43⅛	5.59	4.6
69	Loctite	232.6	39½	2.22	1.7
298	Loews	76.4	102¾	12.03	1.0
926	Lone Star Tech	–34.0	4⅛	1.19	0.0
159	Long Island Lighting	138.3	24⅛	2.42	7.0
598	Longs Drug Stores	19.5	35¼	3.32	3.1
334	Longview Fibre	67.8	12½	0.89	4.2
799	Loral	–7.5	35½	4.44	2.7
482	Lotus Development	39.1	24	2.28	0.0
498	Louisiana Land	35.8	37	1.60	2.7
527	Louisiana-Pacific	29.9	38⅝	3.06	2.8
682	Lowe's Cos	9.1	28⅜	1.98	2.0
912	LSI Logic	–31.4	7⅜	0.55	0.0
941	LTV	–38.5	1	NA	0.0
354	Lubrizol	64.3	51¾	3.93	3.1
47	Lukens	294.1	38¾	4.96	3.8
NR	Lyondell Petrochem	NA	22⅞	2.30	7.9
998	M/A-Com	–51.5	6⅛	0.69	0.0
831	Magma Copper	–12.5a	6⅛	1.17	0.0
NR	MagneTek	NA	12⅜	1.50	0.0
1108	MAI Systems	–96.9	⅜	–1.00	0.0
593	Manor Care	20.3	20	1.34	0.7
963	Manufacturers Hanover	–43.2	25⅝	3.41	7.3
212	Manufacturers Natl	105.8	40⅛	4.03	3.3
986	Manville	–47.5	7⅞	0.63	0.0
217	Mapco	103.8	60⅜	5.26	1.7
358	Marion Merrell Dow	62.9	30¾	2.36	3.0
148	Mark IV Industries	144.5	17⅛	2.28	0.7
968	Marriott	–44.0	16¼	1.15	1.7
623	Marsh & McLennan Cos	16.5	70¾	4.56	3.7
292	Marsh Supermarkets	78.9	17	2.15	2.6
275	Marshall & Ilsley	83.6	50½	4.48	2.6
147	Marshall Industries	145.0	24½	2.75	0.0
480	Martin Marietta	39.5	53⅞	7.57	2.8
890	Masco	–24.1	22	1.49	2.7

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Sources: Forbes; Media General; Institutional Brokers Estimate System, from IBES, Inc., via Lotus One Source.

WHO'S WHERE IN THE STOCK MARKET

Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
1022	Masco Industries	-57.1	4⅞	0.48	0.0
45	Mattel	301.5	26½	2.11	0.8
1052	Maxtor	-71.9	4⅞	0.03	0.0
669	Maxus Energy	10.7a	7¾	0.06	0.0
68	Maxxam	236.0	31½	18.00	0.0
430	May Dept Stores	48.9	52⅞	4.66	3.1
949	Maytag	-41.3	13⅞	1.15	3.6
NR	MBNA	NA	29⅝	3.50	5.4
338	McCaw Cellular	67.4a	27	-1.85	0.0
679	McClatchy Newspapers	9.3b	16⅛	1.04	1.2
39	McCormick & Co	324.1	20⅞	2.25	1.4
866	McDermott Intl	-20.1	17⅜	1.13	5.8
346	McDonald's	65.7	33⅝	2.67	1.1
740	McDonnell Douglas	0.9	71⅞	8.66	1.9
771	McGraw-Hill	-3.7	52⅝	3.61	4.2
38	MCI Communications	328.0	26¾	2.40	0.4
648	McKesson	13.4	36	2.87	4.4
549	MCN	26.6b	23½	2.10	7.0
1090	MDC Holdings	-88.7	1½	NA	0.0
640	Mead	14.4	31¼	2.17	3.2
28	Medco Containment	411.5	66½	1.43	0.1
789	Media General	-6.5	19⅞	0.79	2.2
49	Medtronic	287.6	74½	3.14	0.6
940	Mellon Bank	-38.4	34⅛	4.59	4.1
405	Melville	54.2	41⅝	4.13	3.5
556	Mercantile Bancorp	25.9	35¼	4.17	4.0
772	Mercantile Stores	-3.7	36⅞	3.75	2.8
63	Merck	251.2	145	6.43	1.7
299	Mercury General	76.3	30⅝	4.29	2.6
885	Meredith	-23.3	25⅛	1.31	2.5
718	Meridian Bancorp	3.6	21⅞	2.34	5.5
574	Merisel	22.9b	7⅜	0.61	0.0
1094	Meritor Savings Bank	-92.9	⅝	-1.00	0.0
481	Merrill Lynch	39.4	50⅞	5.46	2.0
24	Merry-Go-Round	453.6	12½	0.98	0.4
330	Fred Meyer	68.6	22⅛	1.98	0.0
339	Michael Foods	66.6a	14⅝	1.28	1.4
641	Michigan National	14.3	38	3.80	5.3
295	MicroAge	77.1a	7¾	1.29	0.0
100	Micron Technology	183.3	12¾	1.40	0.4
6	Microsoft	1100.0	96½	3.41	0.0
1087	Midlantic	-86.4	5½	-1.28	0.0
777	Midwest Resources	-4.7	19¾	1.71	7.9
863	Herman Miller	-19.4	16⅛	1.78	3.2
692	Millipore	7.5	33⅞	2.53	1.4
512	Mine Safety Appliance	33.1	45¼	NA	1.9
418	Minn Mining & Mfg	50.3	87⅝	5.95	3.6
745	Minnesota Power & Lt	0.0	29⅝	2.32	6.4
128	Mirage	155.4	23⅝	2.56	0.0
436	Mitchell Energy	47.3	16¾	1.24	2.4
1109	MLX	-97.2	⅛	NA	0.0
1067	MNC Financial	-78.8	4¼	-1.04	0.0
349	Mobil	64.8	66⅛	5.12	4.8
260	Modine Manufacturing	88.5	24½	2.02	3.1
333	Molex	68.0	31¼	1.51	0.1
345	Monsanto	66.0	63½	5.86	3.3
555	Montana Power	26.0	24¼	2.09	6.1
742	Moore Corp	0.6	20¾	1.80	4.5
432	JP Morgan & Co	48.5	61¼	5.59	3.2
1029	Morgan Products	-60.4	7⅛	0.48	0.0
127	Morgan Stanley	155.5	55¼	5.22	1.5
455	Morrison	42.7	22⅞	2.16	2.8
802	Morrison Knudsen	-8.0	38⅞	3.42	3.8
NR	Morton International	NA	50⅝	3.09	1.9
320	Motorola	70.5	60¾	4.32	1.3

Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
407	Multimedia	53.7	21	1.74	0.0
501	Murphy Oil	35.0	33¾	2.14	3.6
370	Nacco Industries	61.1	42½	4.12	1.5
144	Nalco Chemical	146.6	33¾	2.01	2.5
745	Nash Finch	0.0	17¾	1.97	3.9
803	Nashua	-8.0	21½	2.56	3.3
666	National City	11.2	34	4.00	5.5
1075	Natl Convenience	-82.2	1⅝	-0.64	0.0
1007	National Education	-52.8	8⅜	0.47	0.0
558	National Fuel Gas	25.4	24⅜	1.96	6.0
93	National Health Labs	192.2b	23⅜	1.25	1.2
684	National Intergroup	8.9	15¼	1.80	0.0
605	National Medical	18.9	13⅜	1.92	3.4
1001	Natl Semiconductor	-51.8	5⅛	0.69	0.0
798	National Service	-7.3	20⅝	1.60	4.7
974	Navistar Intl	-44.7	2⅝	0.11	0.0
192	NBD Bancorp	116.3	42	4.06	3.3
195	NCH	115.2	63¾	5.70	1.6
352	NCNB	64.5	35⅜	4.37	4.2
837	Neiman Marcus Group	-23.5a	11⅜	0.32	1.8
669	New England Electric	10.7	31	2.75	6.7
1102	New Valley	-95.7	⅛	NA	0.0
842	NY State E&G	-14.7	26¾	2.55	7.9
985	New York Times	-47.2	18¾	0.70	3.0
17	Newell Co	514.8	41½	2.09	1.4
563	Newmont Mining	24.4c	38¼	1.62	1.6
723	Niagara Mohawk Power	3.0	17¼	1.66	3.7
353	Nicor	64.4	45	4.18	5.0
10	NIKE	868.1	56⅞	4.90	1.0
188	Nipsco Industries	117.0	25½	2.07	4.5
440	Nissan Motor	46.3	9⅞	0.38	2.0
975	NL Industries	-45.0b	10⅜	NA	5.8
933	Noland	-36.5	13½	NA	3.4
341	Nordstrom	66.5	34¾	2.19	0.9
211	Norfolk Southern	105.9	58	4.25	2.8
1088	Nortek	-87.5	1⅝	NA	0.0
1084	Northeast Federal	-85.2	2¼	NA	0.0
782	Northeast Utilities	-5.2	23	2.00	7.7
606	No States Power	18.8	41	3.15	5.9
105	Northern Telecom	177.5	43⅞	2.29	0.7
169	Northern Trust	132.6	45½	3.82	2.1
966	Northrop	-43.6	22⅛	4.15	5.4
145	Norwest	146.4	29⅞	3.20	3.3
4	Novell	1356.2	46⅞	1.42	0.0
120	Nucor	162.7	80⅛	3.92	0.6
769	NWNL	-3.2	30	5.82	4.7
619	Nynex	17.2	75⅛	6.15	6.1
900	Occidental Petroleum	-27.3	20	1.59	5.0
53	Office Depot	273.8b	39⅞	1.27	0.0
816	Ogden	-10.0	18	1.49	6.9
615	Ohio Casualty	17.7	45¾	4.72	5.4
731	Ohio Edison	1.9	19⅞	1.78	7.5
614	Oklahoma G&E	17.8	40⅝	3.33	6.4
392	Old Kent Financial	56.3	34	3.55	3.6
315	Old Republic Intl	71.4	33½	4.91	2.2
681	Olin	9.1	44¾	4.37	4.9
284	Olsten	81.6	23	1.34	1.0
422	Omnicom Group	49.7	30⅛	2.37	3.7
463	Oneida	41.5	12¾	1.24	3.8
805	Oneok	-8.2	15⅜	1.39	5.5
22	Oracle Systems	463.8	14⅝	0.63	0.0
683	Orange & Rockland	9.0	38	3.29	6.3
621	Orion Capital	17.1	31¾	4.71	2.9
1065	Orion Pictures	-78.4	2⅝	0.00	0.0
720	Oryx Energy	3.4b	26¾	0.69	4.5

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WHO'S WHERE IN THE STOCK MARKET

Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
967	Oshkosh Truck	-43.8	13½	2.40	3.7
937	Outboard Marine	-37.5	16⅞	1.10	2.4
121	Owens & Minor	162.5	21	1.01	1.0
460	Owens-Corning	41.8	19½	2.57	0.0
695	Oxford Industries	7.1	15	1.31	3.3
219	Paccar	103.7	47⅝	3.05	2.1
992	Pacific Enterprises	-50.3	24⅜	2.36	7.2
586	Pacific G&E	21.1	29⅜	2.47	5.6
402	Pacific Telesis	54.5	41⅛	3.02	5.2
27	PacifiCare Health	412.2	26¼	2.36	0.0
543	PacifiCorp	27.5	22⅞	1.98	6.6
817	PaineWebber Group	-10.3	18⅞	3.38	2.1
221	Pall	103.3	23⅞	1.63	1.2
NR	Pamida Holdings	NA	4⅛	-0.38	0.0
989	Panhandle Eastern	-49.1	14⅛	1.00	5.7
572	Paramount Commun	23.1	39	2.05	1.8
643	Parker Hannifin	14.1	29⅜	1.78	3.1
809	Penn Central	-8.8	24½	2.11	2.8
317	Penn Traffic	71.0b	22⅞	-0.40	0.0
459	JC Penney	42.2	51⅜	5.02	5.1
499	Pennsylvania P&L	35.3	49⅜	4.22	6.3
832	Pennzoil	-12.9	58⅜	2.49	5.1
342	Pentair	66.3	38¾	2.99	2.4
1035	People's Bank	-62.3b	2⅞	NA	0.0
551	Peoples Energy	26.5	26¼	2.43	6.6
567	Pep Boys	23.6	17¼	0.88	0.8
70	PepsiCo	231.7	28¾	1.78	1.7
1036	Perini	-63.4	10¼	0.80	0.0
609	Perkin-Elmer	18.6	30¼	1.75	2.2
915	Perry Drug Stores	-32.7	8¼	0.75	0.0
NR	Pet	NA	18⅞	0.98	1.3
884	Petrie Stores	-23.1	20⅜	0.69	1.0
882	Petroleum Heat & Pwr	-22.3	10⅞	NA	2.9
178	Pfizer	120.9	67⅜	3.22	2.0
65	Phelps Dodge	241.0c	70¾	8.77	4.2
700	PHH	5.9	33½	3.25	3.6
722	Philadelphia Elec	3.3	23⅜	2.20	5.6
52	Philip Morris Cos	277.7	67⅞	5.68	3.1
773	Philips Electronics	-3.7	19⅛	2.22	0.0
222	Phillips Petroleum	102.1	23¾	2.11	4.7
170	Phillips-Van Heusen	131.5	18¾	1.39	0.8
444	PHM	45.4	17⅝	1.81	0.7
758	Pic'N'Save	-1.2	20⅞	1.26	0.0
473	Piedmont Natural Gas	40.3	31¾	2.66	5.5
764	Pier 1 Imports	-2.2	7⅝	0.73	0.0
909	Pilgrim's Pride	-28.4	7¼	1.05	0.8
NR	Pinkerton's	NA	24¼	2.11	0.0
983	Pinnacle West	-46.7	15⅛	1.35	0.0
828	Pioneer Financial Svcs	-12.0	7⅜	1.36	0.0
214	Pioneer Hi-Bred Intl	104.2	61¼	3.61	1.9
387	Pitney Bowes	57.0	57½	4.15	2.4
484	Pittston	38.3	16¼	1.79	1.2
NR	Pittway	NA	33	NA	1.8
947	Ply Gem Industries	-40.0	7⅞	0.75	1.5
709	PNC Financial	5.2	43⅜	4.26	4.9
879	Polaroid	-21.8	26	2.48	2.3
610	Pope & Talbot	18.5	13⅝	0.74	5.6
1000	Portland General	-51.7	14	1.56	8.6
596	Potlatch	20.0	34½	3.31	4.1
760	Potomac Electric	-1.3	24	1.99	6.5
533	PPG Industries	29.0	47	4.15	3.9
253	Precision Castparts	93.1	31⅝	2.74	0.4
336	Premark Intl	67.5	32⅞	3.23	2.6
826	Premier Bancorp	-11.9	6½	0.80	0.0
209	Premier Industrial	108.5	26⅞	1.58	1.6

Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
1051	Preston	-71.8	6⅝	0.98	0.0
306	Price Co	73.3	56¾	2.94	0.0
325	Primerica	69.5	34¾	4.35	1.4
204	Procter & Gamble	111.5	80¾	5.17	2.5
366	Progressive	61.3	50	4.71	1.0
NR	Promus Cos	NA	19⅞	1.55	0.0
726	Provident Life & Acc	2.8	20¼	3.38	4.9
719	PS Group	3.5	36¾	NA	1.6
598	PSI Resources	19.5	17⅝	1.89	5.7
502	Public Service Colo	34.7	25¼	2.33	7.9
1057	Public Service NM	-73.9	8⅝	0.71	0.0
735	Pub Svc Enterprise	1.6	27¼	2.67	7.9
589	Puget Sound P&L	21.0	25¼	2.22	7.0
928	Pulitzer Publishing	-34.0	20⅛	1.48	2.6
337	Quaker Oats	67.5	67	3.54	2.6
973	Quaker State	-44.5	13⅞	0.92	5.8
16	Quanex	573.1	21⅞	1.82	2.2
198	Quantum	114.2	9⅞	1.38	0.0
1048	Quantum Chemical	-71.3c	11⅞	-0.45	0.0
627	Questar	16.1	21⅝	1.70	4.7
768	QVC Network	-3.0	16¼	0.82	0.0
425	Ralston Purina	49.5	52⅞	3.83	2.0
693	Raychem	7.5	31¾	0.70	1.0
628	Raytheon	16.0	78	9.74	3.1
NR	Reader's Digest Assn	NA	42	1.95	1.9
171	Reebok International	131.0	27	2.70	1.1
979	Reliance Group	-46.0	4¼	0.50	7.5
698	Republic New York	6.6	40⅞	4.29	2.4
1100	Rexene	-94.9bc	1⅛	-0.49	0.0
823	Reynolds & Reynolds	-11.4	29¼	2.57	3.0
132	Reynolds Metals	153.1	50⅝	4.40	3.6
36	Rhone-Poulenc Rorer	333.4	54	3.07	0.9
NR	Rhone-Poulenc	NA	19½	2.87	5.1
379	Richfood Holding	58.7b	12½	NA	0.8
1074	Riggs National	-82.1	5¼	NA	0.0
447	Riser Foods	44.6b	10⅛	1.33	0.0
541	Rite Aid	28.0	18⅞	1.65	2.6
NR	RJR Nabisco	NA	9¾	0.64	0.0
365	Roadway Services	61.6	55¾	3.64	2.2
1078	Robertson-Ceco	-83.8	2	NA	0.0
795	Rochester G&E	-7.2	20⅞	1.99	7.8
465	Rochester Telephone	41.3	31⅝	2.09	4.7
674	Rockwell Intl	10.2	25	2.64	3.7
645	Rohm & Haas	14.0	39¾	3.14	3.1
902	Rohr Industries	-27.6	21	2.34	0.0
443	Rollins	45.5	24⅜	1.52	2.4
1042	Rose's Stores	-66.9	5⅜	0.45	0.0
72	Ross Stores	226.3	15½	1.21	0.0
905	Rouse	-28.3	15	1.40	4.0
289	RPM	80.4	19	1.31	3.6
143	Rubbermaid	147.9	30⅛	2.34	1.1
229	Ruddick	100.0	15¼	1.26	2.6
408	Russell	53.3	26¼	1.89	1.2
982	Ryder System	-46.4	17⅞	1.47	3.4
846	Rykoff-Sexton	-15.3	17⅞	1.55	3.4
651	Ryland Group	13.2	22½	2.13	2.7
395	Safeco	56.1	41¾	4.11	3.5
733	Safeguard Scientifics	1.8	14	1.50	0.0
259	Safety-Kleen	88.8	28	1.30	1.1
NR	Safeway	NA	17½	1.47	0.0
NR	St Joe Paper	NA	31⅞	1.00	0.6
355	St Paul Cos	63.0	65⅝	7.91	4.0
1056	Salant	-73.8	2¾	NA	0.0
1026	Salem Carpet Mills	-58.6	3⅝	0.14	2.2
187	Sallie Mae	117.9	57⅝	4.10	1.7

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Sources: Forbes; Media General; Institutional Brokers Estimate System, from IBES, Inc., via Lotus One Source.

WHO'S WHERE IN THE STOCK MARKET

Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
896	Salomon	-25.7	28½	4.18	2.2
540	San Diego G&E	28.0	43⅜	3.50	6.5
NR	Santa Fe Pacific	NA	10⅝	0.86	0.0
102	Sara Lee	180.4	47½	2.42	2.1
113	Savannah Foods	166.7	16	1.70	3.3
1110	Savin	-97.2	⅛	NA	0.0
671	Scana	10.6	40½	3.46	6.5
528	SCEcorp	29.9	44	3.81	6.2
81	Schering-Plough	211.4	61½	3.50	2.1
226	Schlumberger	101.2	63⅞	3.45	1.9
78	A Schulman	221.1	39⅛	2.17	0.9
207	Schultz Sav-O Stores	109.2	13¼	1.50	0.9
23	Charles Schwab	460.4a	22⅜	2.05	0.7
984	SCI Systems	-46.8	6¼	0.70	0.0
514	Scientific-Atlanta	32.6	14¾	0.53	1.1
691	Scott Paper	7.6	33¾	2.75	2.4
622	EW Scripps	16.8b	20	1.04	2.0
862	Seaboard	-19.2	118	NA	0.4
1009	Seagate Technology	-52.9	9	0.09	0.0
271	Seagram	85.2	112½	9.50	1.8
762	Sealed Air	-1.5c	39⅞	2.09	0.0
806	Sears, Roebuck	-8.5	36⅜	4.41	5.5
629	Seaway Food Town	15.9	12¾	NA	2.8
855	Security Pacific	-18.1	28⅜	3.20	0.0
661	Selective Insurance	12.1	16¼	1.77	6.4
914	Sequa	-32.2	45¼	7.09	1.3
754	Service Corp Intl	-0.5	24⅝	1.77	2.3
94	Service Merchandise	187.3c	11⅞	1.43	0.0
1014	Shared Medical Sys	-54.9	18¼	1.26	4.6
97	Shaw Industries	185.4	29¼	2.20	1.7
1037	Shawmut National	-64.1	8⅞	0.42	0.0
409	Sherwin-Williams	52.9	21⅛	1.72	2.0
135	Shoney's	152.3b	20½	1.12	0.0
176	Sigma-Aldrich	121.2	41¾	1.88	0.6
961	Signet Banking	-43.0	18¼	1.70	4.4
60	Silicon Graphics	252.9	45⅞	2.01	0.0
NR	Sizzler Intl	NA	10⅜	1.25	1.5
763	Skyline	-1.7	14⅜	0.88	3.3
NR	Smart & Final	NA	17⅛	1.04	0.9
810	AO Smith	-8.9	19⅛	2.90	4.2
NR	Smith Corona	NA	6⅞	0.85	2.9
166	Smith International	133.3	10½	0.83	0.0
35	Smithfield Foods	333.8	19¼	2.42	0.0
NR	Smith's Food & Drug	NA	37¼	2.00	1.0
82	JM Smucker	211.1	35	1.38	1.1
646	Snap-on Tools	13.7	29⅛	2.42	3.7
327	Society	69.0	47¾	5.29	3.9
452	Sonat	43.8	37⅜	2.46	5.4
324	Sonoco Products	69.7	32¼	2.57	2.9
256	Sony	91.8	35¾	2.77	1.0
602	Sotheby's Holdings	19.2b	12	0.96	7.9
369	South Carolina Natl	61.2	35⅞	3.06	2.2
830	Southdown	-12.2	12⅛	0.02	0.0
607	Southern Co	18.7	30⅛	2.83	7.1
642	So New Eng Telecom	14.2	30¾	2.63	5.7
462	SouthTrust	41.6	32	3.42	3.4
213	Southwest Airlines	105.5	28¼	1.77	0.4
943	Southwest Gas	-38.7	10⅞	1.35	6.4
390	Southwestern Bell	56.7	58⅝	4.07	4.8
712	Southwestern Pub Svc	4.4	32⅜	2.64	6.8
329	Spiegel	68.7a	14⅛	1.29	2.5
913	Sprague Technologies	-31.5a	6¼	0.45	0.8
560	Springs Industries	25.3	31¼	2.91	3.8
932	SPS Technologies	-36.4	24	NA	5.3
1015	SPX	-55.0c	11¾	1.15	3.4

Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
290	Std Commercial	80.2	26⅛	NA	2.0
188	Standard Fedl Bank	117.0a	12¾	2.21	3.1
990	Standard Motor Prods	-49.7	10	0.97	3.2
848	Standard Products	-15.5	25	1.52	1.9
911	Standard Register	-30.8	12½	1.19	4.5
483	Standex International	38.6	22	2.25	3.5
76	Stanhome	223.1	36¾	2.98	2.5
451	Stanley Works	44.1	36¾	2.84	3.4
161	State Street Boston	137.4	55½	3.89	1.4
1049	Sterling Chemicals	-71.3b	4⅝	0.38	6.5
5	Stewart & Stevenson	1222.2	54	2.94	0.6
672	Stone Container	10.6	21⅜	1.10	3.4
638	Storage Technology	14.6	40⅛	3.40	0.0
240	Stratus Computer	97.6	41¾	2.48	0.0
897	Strawbridge	-26.7	22	3.25	5.0
14	Stride Rite	601.7	25	3.00	1.2
1111	Sudbury	-97.3	¼	NA	0.0
838	Sun Co	-13.6b	27¾	2.42	6.5
229	Sun Microsystems	100.0	24	2.08	0.0
595	Sundstrand	20.2	32	3.25	3.4
300	SunTrust Banks	76.3	35¼	3.12	2.8
797	Super Food Services	-7.3	13¾	1.57	2.5
690	Super Valu Stores	7.7	26⅜	2.43	2.7
98	Syntex	184.6	41	2.25	2.2
107	Sysco	175.0	41¼	1.95	1.0
1054	Talley Industries	-73.1	3⅞	NA	0.0
668	Talman Home Federal	10.7	9¾	2.65	0.0
243	Tambrands	97.3	54½	3.11	2.5
957	Tandem Computers	-42.3	9⅞	0.81	0.0
930	Tandon	-34.2	1⅝	0.66	0.0
934	Tandy	-37.1	26¾	3.11	2.2
29	TBC	411.3	12⅝	0.97	0.0
456	TCF Financial	42.3	17¼	2.69	2.3
48	Tech Data	293.7	26¼	1.70	0.0
331	TECO Energy	68.5	38¾	2.72	4.4
853	Tecumseh Products	-17.0	100	7.90	3.2
988	Tektronix	-48.9	17⅜	2.63	3.5
283	Tele-Communications	82.0	13⅞	0.03	0.0
NR	Teledyne	NA	19⅜	1.66	4.1
233	Teleflex	99.5	31¼	2.13	1.3
238	Temple-Inland	98.1	45⅜	3.87	1.9
821	Tenneco	-11.1	34	3.04	4.7
844	Teradyne	-15.3	13⅞	1.04	0.0
80	Terex	218.5	13⅜	2.44	0.4
997	Tesoro Petroleum	-51.2	5¼	0.67	0.0
321	Texaco	70.4c	61⅛	5.37	5.2
739	Texas Industries	0.9	20⅜	NA	1.0
898	Texas Instruments	-27.0	28¾	2.40	2.5
545	Texas Utilities	27.4	40⅛	3.70	7.5
630	Textron	15.9	36½	3.80	3.1
157	Thermo Electron	139.0	40⅝	2.23	0.0
NR	Thiokol	NA	18⅜	2.87	2.0
600	Thomas & Betts	19.4	51½	3.37	4.3
881	Thomas Industries	-22.2	11⅜	1.00	6.7
9	Thorn Apple Valley	914.3	35½	5.75	0.0
920	3Com	-33.3	10¾	0.64	0.0
71	Tiffany	229.8a	45⅝	3.02	0.6
601	Time Warner	19.3	83½	-4.75	1.2
833	Times Mirror	-13.0	27⅝	1.51	3.9
696	Timken	6.9	23⅛	1.53	4.3
NR	TJX Cos	NA	14¼	1.43	3.2
224	Torchmark	101.4	52⅜	5.16	3.1
708	Toro	5.2	15¼	1.65	3.1
165	Tosco	133.8	23⅜	3.04	2.6
1032	Town & Country	-61.1	2⅝	NA	0.0

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Rank	Company	5-year price change %	Recent price	EPS 1992 estimate $	Current yield %
181	Toys 'R' Us	119.1	28	1.54	0.0
616	Transamerica	17.6	38⅜	3.72	5.2
995	Transco Energy	-50.8	20⅜	1.56	2.9
1021	Travelers	-56.6	19⅜	2.92	8.3
NR	Tredegar Industries	NA	9½	1.07	2.5
537	Tribune	28.5	36⅝	2.46	2.6
348	Trinity Industries	65.4	27½	2.34	2.9
883	Trinova	-22.5	18¼	1.16	3.7
837	TRW	-13.6	36½	3.30	4.9
1093	Tucson Electric	-92.5	4⅜	-1.82	0.0
11	Turner Broadcasting	759.3	19⅞	0.45	0.0
1040	Turner Corp	-64.8	7¼	NA	0.0
NR	TW Holdings	NA	2⅞	-0.33	0.0
141	20th Century Inds	149.3	21½	2.13	2.0
386	Tyco Laboratories	57.1	32	2.28	1.1
50	Tyco Toys	283.6	29¼	2.53	0.0
201	Tyson Foods	113.3	19⅜	1.19	0.2
151	UAL	140.9	125⅞	11.02	0.0
427	UGI	49.3	19⅛	1.61	6.5
923	UJB Financial	-33.7	15¾	1.30	3.8
1008	UNC	-52.9	4⅛	0.50	0.0
25	Unifi	422.3	39½	2.38	1.5
236	Unilever NV	98.6	94½	7.71	2.9
944	Union Bank	-39.1	18	4.39	7.8
518	Union Camp	32.0	44⅞	2.97	3.5
859	Union Carbide	-18.3	18⅜	1.64	5.4
564	Union Electric	24.3	35¾	2.93	6.3
435	Union Pacific	47.8	46	3.69	3.0
136	Union Texas Petrol	151.6a	20⅛	1.43	1.0
1083	Unisys	-85.0	4	-0.20	0.0
13	United HealthCare	606.0	59⅛	2.97	0.1
578	United Illuminating	22.2	35¾	3.85	6.8
322	US Bancorp	70.3	18⅝	2.38	4.1
33	US Healthcare	354.8	35¼	2.36	1.2
1098	US Home	-94.4	⅜	0.20	0.0
969	US Shoe	-44.0	11⅝	1.42	4.5
1	US Surgical	1599.2	94	2.15	0.3
972	United Stationers	-44.4	9⅝	0.79	4.3
710	United Technologies	4.9	48¼	4.60	3.7
305	United Telecom	73.5	22⅛	2.12	4.5
NR	Unitrin	NA	33¼	2.77	3.0
177	Univar	121.2	11¾	1.00	2.6
244	Universal	97.2	53	3.80	2.9
58	Universal Foods	262.6	37⅛	2.46	2.2
274	Universal Health	83.9	12⅞	1.46	0.0
265	Unocal	86.8	24⅞	1.45	2.8
114	UNUM	166.0	71½	6.42	1.5
506	Upjohn	33.9	41⅝	3.16	3.3
546	US West	27.3	34⅜	3.07	6.1
1053	USAir Group	-72.8	9⅞	-2.09	0.0
1079	USF&G	-84.0	6⅛	-0.57	3.1
1060	USG	-75.6b	1⅜	NA	0.0
903	Uslico	-27.7	17¼	2.33	5.8
727	USLife	2.6	44⅝	4.81	3.7
30	UST Inc	384.5	53¾	2.73	2.5
NR	USX-Marathon	NA	27¾	1.49	5.0
NR	USX-US Steel	NA	27½	2.98	3.6
500	UtiliCorp United	35.1	26	2.38	6.2
44	Valero Energy	301.8	27⅝	2.85	1.3
380	Valhi	58.6	5¾	0.80	3.5
920	Valley National	-33.3	25¾	2.28	0.0
85	Valmont Industries	206.7	11½	1.20	2.3
164	Valspar	134.1	49¾	2.95	1.2
NR	Value City Dept	NA	19¼	1.81	0.0
372	Varian Associates	60.7	36¾	3.39	0.9
761	Varity	-1.3	18½	2.85	0.0
NR	Venture Stores	NA	22⅝	2.63	2.4
634	VF	15.4	35⅝	2.96	3.0
54	Viacom	269.6a	33½	0.60	0.0
NR	Vigoro	NA	19	2.08	3.2
926	Village Super Market	-34.0	8¼	0.65	1.8
399	Vishay Intertech	55.4	16½	1.97	0.0
1045	Volt Info Sciences	-68.8	8½	NA	0.0
590	Volvo	21.0	60⅝	2.52	4.1
66	Vons Cos	240.7a	25⅛	2.03	0.0
585	Vulcan Materials	21.3	37¾	2.50	3.2
569	VWR	23.4	19¾	1.70	4.1
NR	Waban	NA	17¾	1.29	0.0
301	Wachovia	75.7	53¼	4.82	3.5
637	Wackenhut	14.8	24¼	2.28	2.5
43	Wal-Mart Stores	306.5	47¼	1.72	0.4
216	Walgreen	103.9	33	1.80	1.6
815	Wallace Computer Svcs	-9.8	19⅝	1.83	2.8
1061	Wang Laboratories	-76.3	2¾	-0.15	0.0
NR	Warnaco Group	NA	26⅛	NA	0.0
153	Warner-Lambert	140.5	70½	4.78	2.5
531	Washington Gas Light	29.6	33⅜	2.64	6.3
279	Washington Mutual	82.6	28	3.84	2.1
1002	Washington National	-52.0	15⅜	1.37	7.0
625	Washington Post	16.3	181½	11.41	2.3
129	Waste Management	154.4	35⅜	1.96	1.2
778	Waxman Inds	-4.8	5	0.45	2.4
NR	Weirton Steel	NA	3½	-1.92	0.0
701	Weis Markets	5.9	26⅛	2.10	2.4
308	Wellman	73.1a	20⅛	1.87	0.6
582	Wells Fargo	21.9	61⅞	8.85	6.5
858	Wendy's Intl	-18.3	8⅜	0.60	2.9
1086	Western Digital	-85.8	2⅝	-1.83	0.0
729	Western Publishing	2.0	13	0.80	0.0
953	Westinghouse	-42.2	16⅛	2.13	8.7
90	Westmark Intl	196.8a	46¾	2.40	0.0
829	Westmoreland Coal	-12.2	18	1.63	1.8
523	Westvaco	30.2	35⅛	2.73	3.1
552	Wetterau	26.5	24½	2.60	2.8
787	Weyerhaeuser	-6.1	23⅝	1.77	5.1
NR	Wheeling Pittsburgh	NA	7	NA	0.0
724	Whirlpool	3.0	34⅞	3.00	3.2
NR	Whitman	NA	12⅜	0.97	1.9
659	Wicor	12.4	23¾	2.20	6.2
507	Willamette Inds	33.7	54½	3.77	2.9
675	Willcox & Gibbs	10.1	7⅜	0.81	1.4
398	Williams Cos	55.4	36⅛	2.49	3.9
391	Winn-Dixie Stores	56.4	35⅞	2.38	3.3
1050	Winnebago Industries	-71.7	3¼	-0.17	0.0
491	Wisconsin Energy	37.3	36⅛	3.03	5.1
678	Wisconsin Public Svc	9.4	27	2.20	6.3
765	Witco	-2.3	37¾	3.51	4.9
538	WLR Foods	28.4b	15⅛	1.41	2.1
492	Woolworth	36.6	26⅜	2.83	4.1
269	Worthington Inds	85.2	20⅜	1.24	2.2
612	WPL Holdings	18.0	29½	2.33	6.1
1085	WPP Group	-85.6a	2⅛	1.37	0.0
104	Wm Wrigley Jr	177.6	63½	3.56	2.6
705	Wyle Laboratories	5.5	11½	1.39	2.4
1063	Wyman-Gordon	-77.3	3¾	0.07	0.0
715	Xerox	4.2	62½	5.68	4.8
904	Yellow Freight Sys	-28.1	26½	2.18	3.5
1046	Zenith Electronics	-69.7	6⅝	-0.50	0.0
936	Zenith National Ins	-37.2	15⅛	2.34	6.6
294	Zurn Industries	77.9	34¼	3.07	2.6

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WHO'S WHERE IN THE INDUSTRY GROUPS

In the latest 12 months only one main sector—financial services—beat its five-year average return on equity.

By Warren Midgett

Which industry had the highest five-year return on equity? The recession-resistant food, drink and tobacco group, which chalked up a 20% return.

For the median firm in this survey, latest 12-month return on equity fell to 9.9% from 12.1% last year. Financial services was the only industry in which the latest 12-month return exceeded the five-year average.

Latest 12-month earnings fell 5.9% for the median survey firm. The worst-performing industries: construction, where profits were off 88%, and travel, where the median company went from a profit to a deficit position.

Especially in a recession—when companies slash prices in order to maintain cash flow—sales growth may not translate into higher profits. For example, the median retailer's sales increased 7.7% while profits fell 5.9%. ■

	Profitability					Growth						Sales	Net income	Profit margin
	Return on equity			Return on capital		Sales			Earnings per share					
Company	rank	5-year average %	latest 12 mos %	latest 12 mos %	Debt/capital %	rank	5-year average %	latest 12 mos %	rank	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Food, drink & tobacco (62)	1	20.0	17.0	12.4	30.6	14	10.6	7.0	1	14.8	7.4	2,029	79	3.8
Food processors (43)		19.4	17.1	13.1	27.1		10.0	5.3		14.6	8.9	1,397	74	3.9
Beverages (9)		18.1	21.2	10.0	30.4		10.9	7.1		11.8	0.1	4,038	146	5.6
Tobacco (10)		20.6	14.8	11.2	43.1		14.1	16.1		14.9	16.3	2,037	161	2.2
Consumer nondurables (53)	2	18.0	13.6	9.4	32.4	5	12.3	7.6	5	10.8	10.3	919	45	3.7
Personal products (21)		18.2	14.3	12.5	29.2		11.8	9.3		12.4	14.9	1,559	68	5.3
Apparel & shoes (18)		20.1	13.7	9.4	31.9		14.0	7.8		14.1	12.0	850	30	3.4
Textiles (7)		9.9	8.8	5.4	34.3		12.6	1.7		-11.2	-43.8	632	15	2.0
Photography & toys (7)		12.4	9.2	7.0	33.9		6.2	5.4		NM	-9.0	1,536	65	3.5
Health (52)	3	17.9	16.9	14.2	18.9	4	12.5	10.8	2	14.7	18.5	1,780	90	6.5
Drugs (20)		22.3	29.2	23.0	12.8		11.4	12.4		16.2	19.0	4,328	533	14.2
Health care services (14)		17.3	16.5	13.9	31.4		21.2	17.5		11.6	25.3	1,214	33	3.0
Medical supplies (18)		16.8	14.9	11.4	18.9		14.8	8.3		6.4	9.7	1,105	65	6.5
Chemicals (52)	4	16.7	13.0	9.4	30.8	6	12.2	4.0	3	13.9	-11.1	1,200	67	4.9
Diversified (16)		15.2	4.8	4.6	30.4		9.1	2.1		13.1	-32.2	2,911	60	2.5
Specialized (36)		18.6	15.5	12.1	30.8		12.7	4.6		13.9	-0.4	1,011	69	6.5
Entertainment & Information (47)	5	15.4	8.4	7.6	31.6	12	11.0	0.7	12	–0.7	-22.6	1,291	25	3.8
Broadcasting & cable (9)		def	def	2.8	84.7		29.1	8.0		NM	D-D	1,442	-105	-5.3
Movies (9)		18.3	3.9	6.9	33.5		21.0	5.1		14.9	-89.1	784	8	1.5
Publishing (24)		16.4	9.4	7.6	22.1		7.7	-1.1		-4.6	-18.3	1,337	28	4.8
Advertising (5)		16.6	17.7	14.0	24.4		11.3	6.5		12.7	0.8	1,184	19	2.8
Business services & supplies (56)	6	14.8	10.3	9.0	31.4	7	11.7	2.6	7	8.5	-10.1	731	26	2.7
Business services (20)		15.2	13.2	11.0	26.3		12.2	5.1		14.3	-5.5	628	16	2.4
Business supplies (22)		12.8	8.2	8.3	23.6		9.1	-0.6		-6.0	-13.6	765	23	3.3
Industrial services (10)		15.0	7.3	5.6	40.3		16.3	3.2		-12.7	-43.0	1,031	34	2.1
Environmental & waste (4)		18.7	12.4	10.5	38.0		25.8	24.2		21.5	9.8	742	37	5.1
Forest products & packaging (30)	7	14.4	5.5	4.3	33.3	9	11.6	-1.8	4	12.6	-48.1	1,562	47	2.9
Paper & lumber (18)		15.1	4.6	4.0	34.5		11.7	-4.2		18.0	-59.2	1,792	59	2.6
Packaging (12)		14.2	8.3	8.2	31.7		10.7	3.7		8.1	-13.9	939	24	3.4
Food distribution (47)	8	14.2	12.0	10.0	39.7	8	11.6	3.5	6	9.0	7.0	1,465	27	1.2
Supermarkets & convenience (29)		13.9	12.0	10.0	41.3		10.2	2.7		6.8	0.5	1,478	13	1.2
Food wholesalers (9)		13.0	13.0	9.5	37.8		10.7	2.8		4.6	8.0	2,337	18	0.9
Restaurant chains (9)		15.1	11.4	11.5	32.0		13.0	6.4		16.7	27.0	973	28	4.1
Retailing (93)	9	14.0	10.5	9.3	32.4	2	13.5	7.7	11	4.5	-5.9	1,079	24	2.2
Department stores (10)		12.1	8.0	6.3	41.9		7.3	1.9		-1.5	-27.8	2,333	78	2.2
Apparel (16)		18.4	13.8	10.9	28.6		16.2	9.2		3.0	-0.5	1,288	26	2.7
Consumer electronics (8)		14.1	11.6	10.2	14.4		33.1	15.7		NM	-30.0	786	13	1.7
Drug & discount (27)		13.7	12.3	9.0	38.0		11.5	5.3		5.8	14.8	1,466	18	2.2
Home improvement (5)		11.9	7.8	7.5	21.6		25.3	11.8		NM	-26.1	2,681	27	1.7

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. def: Deficit. NM: Not meaningful. For further explanation, see page 95.

WHO'S WHERE IN THE INDUSTRY GROUPS

Company	Profitability					Growth						Sales	Net Income	Profit margin
	Return on equity			Return on capital		Sales			Earnings per share					
	rank	5-year average %	latest 12 mos %	latest 12 mos %	Debt/ capital %	rank	5-year average %	latest 12 mos %	rank	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Home shopping (8)		8.5	10.6	12.3	62.1		14.3	8.8		14.1	10.2	766	24	2.1
Specialty retailers (19)		15.7	11.1	8.7	31.2		19.8	9.3		8.2	-5.2	796	22	3.4
Metals (36)	10	**13.2**	**3.7**	**3.7**	**31.2**	13	**10.7**	**-5.7**	8	**7.5**	**-66.9**	**1,025**	**27**	**1.8**
Steel (21)		11.6	0.5	2.8	27.8		8.0	-7.6		NM	-73.7	879	1	0.3
Nonferrous metals (15)		16.0	5.0	5.0	31.5		12.9	-5.1		21.2	-65.1	2,296	80	2.6
Computers & communications (88)	11	**13.2**	**9.4**	**7.4**	**25.0**	1	**14.3**	**4.5**	16	**-13.6**	**-19.1**	**1,223**	**40**	**4.0**
Major systems (26)		8.2	4.6	6.3	8.8		15.3	2.0		-22.2	-50.0	1,407	34	3.2
Peripherals & equipment (34)		10.0	8.3	7.6	20.8		17.2	4.2		NM	-18.1	827	11	2.4
Software (6)		26.6	10.2	9.0	3.0		47.2	13.9		NM	-29.5	912	82	6.8
Telecommunications (22)		13.9	12.8	7.5	34.2		5.5	5.0		4.6	-6.0	8,016	418	7.5
Capital goods (57)	12	**13.2**	**7.5**	**7.2**	**28.9**	11	**11.3**	**-0.8**	9	**7.1**	**-29.8**	**1,193**	**30**	**2.8**
Electrical equipment (15)		18.4	14.2	8.4	37.4		8.9	1.7		9.4	-37.1	1,163	35	3.0
Heavy equipment (14)		11.1	0.6	5.1	41.5		11.7	-3.0		13.3	P-D	1,317	-2	0.0
Other industrial equipment (28)		12.0	10.1	8.5	24.9		11.7	0.7		6.6	-12.3	1,058	33	2.9
Electric utilities (79)	13	**12.4**	**12.2**	**7.0**	**40.4**	20	**3.2**	**3.7**	14	**-11.7**	**1.7**	**1,509**	**134**	**10.1**
Northeast (23)		11.5	11.6	7.0	42.3		3.6	3.8		-11.0	1.4	1,528	168	8.6
North central (26)		12.8	12.3	6.8	39.8		1.5	3.8		-12.1	0.4	1,108	112	10.6
Southeast (10)		13.6	12.9	7.5	38.5		4.0	2.1		2.2	6.7	2,374	211	11.9
South central (8)		12.2	11.2	7.1	41.8		0.3	4.6		NM	2.4	2,325	129	10.3
Western (12)		10.1	12.1	7.1	42.3		4.9	5.0		NM	15.7	1,308	127	9.2
Aerospace & defense (37)	14	**12.2**	**9.4**	**7.6**	**32.8**	19	**6.8**	**2.2**	17	**-18.7**	**1.5**	**1,919**	**42**	**2.3**
Insurance (66)	15	**12.1**	**10.7**	**9.9**	**19.5**	15	**9.6**	**5.4**	10	**4.9**	**1.3**	**1,476**	**109**	**5.1**
Diversified (20)		12.1	10.1	9.6	14.8		7.8	5.9		-0.1	5.7	3,173	222	4.7
Life & health (18)		10.4	10.8	9.0	22.8		9.0	9.3		2.6	5.6	1,265	80	5.3
Property & casualty (24)		15.0	13.0	10.6	18.0		10.8	3.9		10.0	0.3	1,476	73	4.9
Brokerage (4)		20.5	18.1	16.3	26.2		10.3	7.7		8.1	-3.9	940	41	5.2
Financial services (112)	16	**11.1**	**12.0**	**8.7**	**27.2**	10	**11.3**	**0.1**	19	**NM**	**0.8**	**1,656**	**88**	**5.6**
Multinational banks (10)		2.8	8.2	7.2	43.0		9.0	-10.5		NM	D-P	7,215	286	4.2
Regional banks (62)		13.8	12.2	9.9	20.8		13.8	0.3		NM	-2.7	1,360	93	7.1
Thrift institutions (19)		0.7	7.7	5.8	30.0		6.5	-9.4		NM	P-D	882	14	2.7
Brokerage & commodity (8)		10.5	16.4	12.0	39.9		9.1	4.8		-8.8	40.6	2,726	125	5.1
Lease & finance (13)		18.1	15.6	8.1	65.5		14.2	6.8		15.1	16.8	3,428	143	7.8
Consumer durables (67)	17	**11.0**	**4.3**	**5.3**	**34.5**	16	**9.4**	**-2.3**	18	**NM**	**-51.1**	**1,300**	**15**	**1.1**
Automobiles & trucks (8)		9.9	def	1.2	46.4		8.6	-6.3		NM	P-D	29,902	-140	-1.7
Automotive parts (29)		12.0	4.3	5.3	34.3		8.4	-2.1		NM	-36.5	960	14	1.5
Appliances (10)		8.0	4.2	5.5	43.5		12.9	0.2		NM	-62.2	2,135	16	0.9
Home furnishings (13)		13.9	6.4	6.1	33.1		12.2	-0.7		-19.0	-29.5	1,085	26	2.6
Recreation equipment (7)		10.0	def	def	16.6		4.3	-14.1		NM	P-D	896	-15	-1.3
Transport (21)	18	**10.8**	**9.9**	**6.7**	**36.8**	17	**8.8**	**4.3**	13	**-6.7**	**2.9**	**2,308**	**38**	**2.3**
Railroads (8)		10.6	8.9	6.5	34.8		1.6	-1.8		-6.2	-6.5	3,859	58	6.0
Trucking & shipping (8)		8.2	9.6	7.0	38.6		13.7	5.0		NM	P-D	1,555	33	2.0
Air freight (5)		12.3	13.0	11.1	32.0		20.5	7.6		16.4	5.1	1,325	19	2.2
Energy (77)	19	**10.7**	**9.6**	**7.2**	**37.7**	21	**-4.2**	**6.0**	19	**NM**	**-4.7**	**1,810**	**62**	**3.5**
International oils (6)		12.0	13.2	9.7	21.3		NM	13.2		NM	28.3	49,573	2,030	4.6
Other energy (32)		9.6	9.5	7.3	37.5		3.3	9.0		NM	-21.7	2,070	51	2.5
Oilfield services (6)		8.4	9.3	8.9	24.0		-1.7	16.6		NM	18.4	3,809	148	3.3
Gas producers & pipeliners (9)		5.9	9.0	6.2	46.0		-8.3	6.0		NM	-0.6	2,028	110	3.5
Gas distributors (14)		12.3	10.8	7.1	39.1		-4.7	-3.2		-13.0	-4.6	967	44	4.9
Integrated gas (10)		8.2	9.2	6.1	37.8		-5.2	2.3		NM	-5.2	1,652	55	4.0
Construction (41)	20	**9.6**	**0.8**	**3.5**	**39.5**	18	**8.6**	**-8.2**	15	**-11.7**	**-87.8**	**718**	**1**	**0.1**
Commercial builders (12)		9.1	8.3	7.0	24.6		6.2	-1.2		13.6	-7.1	1,006	18	2.0
Residential builders (8)		10.7	4.7	4.7	40.2		8.0	-15.9		7.0	-63.8	837	14	1.3
Cement & gypsum (9)		11.7	def	1.0	31.8		8.9	-7.9		-4.1	P-D	512	-16	-1.6
Other materials (12)		5.7	def	1.0	51.4		9.6	-11.0		NM	P-D	513	-7	-0.6
Travel (17)	21	**9.4**	**0.2**	**2.3**	**50.4**	3	**12.6**	**9.0**	19	**NM**	**P-D**	**1,436**	**1**	**0.1**
Airlines (8)		7.3	def	def	45.7		18.3	9.7		NM	P-D	6,031	-242	-2.7
Hotels & gaming (9)		17.0	8.9	6.6	54.5		8.8	6.8		-4.3	-19.5	1,019	27	3.0
All-industry medians		**13.2**	**9.9**	**7.6**	**32.4**		**11.3**	**3.7**		**4.5**	**-5.9**	**1,436**	**40**	**2.9**

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. def: Deficit. NM: Not meaningful. For further explanation, see page 95.

WHO'S WHERE IN THIS ISSUE

This alphabetic summary compares the five-year relative performance of all 1,209 companies in this year's industry survey. The table shows how each company was ranked on five-year earnings growth, five-year stock market performance and five-year return on equity. The last column in the table gives the page number of the firm's industry survey report.

RANK

Company	Growth	Stock market	Profitability	Page
AAR Corp	498	869	594	98
Abbott Laboratories	246	130	47	158
Acme Steel	NM	412	874	166
Adia Services	206	624	449	98
Advanced Micro	NM	796	1050	112
ADVO-System	NM	89	367	140
Aetna Life & Cas	NM	918	706	162
Affiliated Pubs	NM	**	106	140
HF Ahmanson	618	922	714	144
Air & Water Tech	**	**	1093	98
Air Express Intl	166	249	72	172
Air Prods & Chems	411	254	387	108
Airborne Freight	287	485	630	172
Akzo	NM	**	522	108
Alaska Air Group	NM	745	805	174
Albany International	NM	576	289	156
Alberto-Culver	149	106	305	126
Albertson's	175	67	151	148
Alcan Aluminium	104	375	382	166
Alco Standard	317	384	275	98
Alexander & Alexander	524	895	391	162
Alexander & Baldwin	265	639	123	172
Alexander's	NM	894	990	168
Alleghany	528	359	736	162
Allegheny Ludlum	382	470	15	166
Allegheny Power	NM	745	569	130
Allen Group	NM	524	1010	120
Allergan	**	**	**	158
Alliant Techsystems	**	**	**	96
Allied Products	NM	1091	1069	102
Allied-Signal	NM	767	460	96, 120
Alltel	344	206	329	112
Alcoa	257	313	575	166
ALZA	**	**	**	158
AM International	NM	1080	1057	98
AMAX	110	383	180	166
AMC Entertainment	NM	971	1085	140
Amdahl	45	649	293	112
Amerada Hess	48	180	506	134
America West Airlines	NM	1081	1112	174
American Bankers	NM	556	792	162
American Brands	322	280	204	152
American Building	335	381	655	98
American Capital	NM	1113	1120	144
American Cyanamid	223	441	456	158

RANK

Company	Growth	Stock market	Profitability	Page
American Electric	549	660	553	130
American Express	610	925	383	144
American Family	428	227	316	162
American General	546	689	688	162
American Greetings	NM	479	694	140
American Home Prods	NM	257	6	158
American Intl Group	170	335	256	162
American Maize	NM	755	946	152
American Medical	**	**	**	158
American Natl Ins	598	818	840	162
American Oil & Gas	NM	155	1106	134
American President	NM	471	1008	172
American Stores	NM	687	622	148
American Tel & Tel	82	442	585	112
American Water Works	NM	636	765	130
Ameritech	513	497	411	112
Ameritrust	NM	388	969	144
Ameron	542	626	782	116
Ames Dept Stores	NM	1101	1122	168
Ametek	518	775	242	102
Amgen	**	**	**	158
Amoco	450	414	561	134
AMP	196	454	259	112
AMR	NM	663	834	174
AmSouth Bancorp	NM	743	518	144
Anacomp	NM	791	1100	98
Analog Devices	NM	1005	936	112
Anchor Bancorp	NM	738	1090	144
Angelica	521	469	583	158
Anheuser-Busch Cos	294	225	152	152
AnnTaylor Stores	**	**	**	168
Aon	539	489	361	162
Apogee Enterprises	301	438	334	116
Apple Computer	217	140	69	112
Applied BioScience	**	**	**	158
Applied Biosystems	**	**	**	158
Applied Magnetics	NM	871	1027	112
Applied Materials	NM	133	495	112
Applied Power	660	347	372	102
Arbor Drugs	227	109	244	168
Archer Daniels	289	101	484	152
Arden Group	87	419	68	148
Argonaut Group	108	56	96	162
Arkla	NM	873	933	134
Armco	NM	814	964	166

Growth: 5-year annual earnings-per-share growth. **Stock market:** 5-year price change. **Profitability:** 5-year return on equity.
NM: Not meaningful. **Not ranked.

	RANK			
Company	Growth	Stock market	Profitability	Page
Armstrong World Inds	432	753	407	120
Arrow Electronics	NM	172	1018	112
Arvin Industries	661	892	907	120
Asarco	655	385	403	166
Ashland Oil	NM	717	573	134
AST Research	220	122	206	112
Atari	NM	1059	1061	112
Guy F Atkinson	NM	1013	1086	116
Atlanta Gas Light	554	416	724	134
Atlantic Energy	538	699	584	130
Atlantic Richfield	100	270	110	134
Automatic Data	264	203	213	98
AutoZone	13	**	53	168
Avery Dennison	193	711	809	98
Avnet	169	770	855	112
Avon Products	NM	468	300	126
Avondale Industries	NM	1055	1055	96
Aztar	NM	812	927	174
J Baker	437	825	229	168
Baker Hughes	53	424	838	134
Ball Corp	603	774	716	156
Bally Manufacturing	NM	1070	1095	174
Baltimore G&E	599	779	645	130
Banc One	386	173	335	144
Bancorp Hawaii	275	194	273	144
Bandag	240	123	25	120
Bank of Boston	NM	1023	1026	144
Bank of New York	NM	880	774	144
BankAmerica	NM	149	781	144
Bankers Trust NY	NM	495	847	144
Banta	494	426	483	140
CR Bard	523	439	269	158
Barnes Group	516	579	617	120
Barnett Banks	NM	759	562	144
Baroid	NM	**	**	134
Bassett Furniture Ind	666	790	923	120
Bausch & Lomb	324	126	325	158
Baxter International	NM	258	857	158
BayBanks	NM	993	920	144
Bear Stearns Cos	NM	511	420	144
Bearings	174	529	836	102
Beckman Instruments	NM	781	531	158
Becton Dickinson	364	566	339	158
Bell Atlantic	553	509	529	112
Bell Industries	NM	958	943	112
BellSouth	564	580	545	112
AH Belo	NM	680	772	140
Bemis	208	119	327	156
Beneficial Corp	NM	725	570	144
Bergen Brunswig	199	208	402	158
WR Berkley	210	403	297	162
Berkshire Hathaway	NM	91	696	162
Best Buy Co	NM	205	824	168
Bethlehem Steel	NM	248	997	166
Betz Laboratories	345	103	167	108
Beverly Enterprises	NM	996	1066	158
Big B	NM	686	925	168
Bindley Western Inds	NM	449	804	158
Biogen	**	**	**	158
Birmingham Steel	211	393	121	166
Black & Decker	NM	766	848	120
Blair	281	404	71	168

	RANK			
Company	Growth	Stock market	Profitability	Page
H&R Block	279	84	109	144
Block Drug	366	160	425	126
Blockbuster	8	3	61	168
Blount	12	1011	551	116
Boatmen's Bancshs	496	548	712	144
Bob Evans Farms	429	415	414	148
Boeing	326	242	416	96
Boise Cascade	NM	924	677	156
Borden	325	525	532	152
Boston Edison	620	824	895	130
Bowater	406	929	492	156
Briggs & Stratton	544	655	826	102
Brinker Intl	116	34	286	148
Bristol-Myers Squibb	329	246	113	158
British Petroleum	**	351	**	134
Broad	NM	**	899	162
Broken Hill	272	117	163	134
Brooke Group	NM	906	1126	152
Brooklyn Union Gas	NM	539	660	134
Brown-Forman	390	293	176	152
Brown Group	NM	888	817	168
Browning-Ferris Inds	643	874	726	98
Bruno's	253	303	243	148
Brunswick	NM	916	764	120
Burlington Coat	481	592	604	168
Burlington Northern	587	389	224	172
Burlington Resources	**	588	**	134
Butler Manufacturing	353	1031	664	116
Cablevision Systems	NM	311	1131	140
Cabot	NM	721	549	108
Caesars World	466	360	172	174
Caldor	**	**	**	168
CalFed	NM	1104	999	144
Calgene	**	**	**	158
California Biotech	**	**	**	158
CalMat	297	785	397	116
Cambridge Biotech	**	**	**	158
Campbell Soup	NM	133	704	152
C&S/Sovran	NM	613	489	144
Capital Cities/ABC	157	428	430	140
Capital Holding	495	361	341	162
Cardinal Distribution	302	40	404	158
Carl Karcher	NM	458	508	148
Carlisle Cos	517	553	690	120
Carnival Cruise Lines	184	277	55	174
Carolina Freight	685	977	953	172
Carolina Power & Lt	NM	550	682	130
Carpenter Technology	49	396	759	166
Carter Hawley Hale	NM	1076	**	168
Carter-Wallace	343	118	388	126
Casey's General Store	535	745	595	148
AM Castle & Co	NM	464	674	166
Caterpillar	222	714	775	102
CBI Industries	34	420	906	116
CBS	675	667	77	140
CDI	401	662	231	98
Centel	NM	287	245	112
Centerior Energy	628	854	850	130
Centex	472	597	701	116
Centocor	**	**	**	158
Central & So West	NM	433	558	130
Central Hudson G&E	NM	813	778	130

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Central Maine Power	558	694	679	130
Central Newspapers	555	**	499	140
Central Steel & Wire	NM	521	596	166
Champion Intl	387	867	717	156
Charming Shoppes	551	713	272	168
Charter	**	288	153	134
Chase Manhattan	NM	1004	1043	144
Chemed	611	889	376	108
Chemical Banking	NM	978	1002	144
Chesapeake	359	562	599	156
Chevron	NM	413	770	134
Child World	NM	1095	1105	168
Chiquita Brands Intl	177	55	365	152
Chiron	**	**	**	158
Chrysler	676	1012	756	120
Chubb	81	179	291	162
Church & Dwight	185	175	471	126
Cigna	637	783	786	162
CILcorp	NM	804	619	130
Cincinnati Bell	316	241	354	112
Cincinnati Financial	311	264	439	162
Cincinnati G&E	461	457	343	130
Cincinnati Milacron	NM	1034	1036	102
Cipsco	NM	780	670	130
Circle K	NM	1103	1118	148
Circuit City Stores	181	467	120	168
Circus Circus	137	59	26	174
Citicorp	NM	1028	935	144
Clark Equipment	NM	583	887	102
Clorox	NM	423	457	126
CMS Energy	NM	654	996	130
CNA Financial	482	344	479	162
Coachmen Industries	NM	1030	1059	120
Coast Savings Finl	NM	1024	1073	144
Coastal Corp	293	255	589	134
Coca-Cola	224	62	27	152
Coca-Cola Bottling	NM	956	1046	152
Coca-Cola Enterprises	NM	808	922	152
Colgate-Palmolive	119	247	169	126
Collaborative Resrch	**	**	**	158
Collagen	**	**	**	158
Columbia Gas System	534	1027	863	134
Comcast	NM	199	1117	140
Comdisco	NM	466	464	98
Comerica	243	156	385	144
Commerce Bcshs	362	286	538	144
Commerce Clearing	574	965	170	140
Commercial Federal	NM	1044	1037	144
Commercial Intertech	384	542	749	102
Commercial Metals	454	357	678	144
Commonwealth Ed	632	594	860	130
Commonwealth Energy	612	788	731	130
Commtron	318	893	556	140
Comsat	NM	584	957	112
Compaq Computer	23	111	28	112
Computer Associates	88	493	100	112
Computer Sciences	213	376	452	98
ConAgra	295	167	155	152
Conner Peripherals	11	304	14	112
Conseco	21	8	24	162
Consolidated Edison	550	704	582	130
Consol Freightways	NM	1025	961	172
Consol Natural Gas	573	535	715	134
Consolidated Papers	393	476	227	156
Consolidated Rail	595	116	885	172
Consolidated Stores	665	864	854	168
Constar Intl	438	437	517	156
Continental Airlines	NM	1105	1114	174
Continental Bank	NM	1017	1022	144
Continental Corp	NM	964	905	162
Control Data	NM	1038	1099	112
Cooper Industries	290	150	587	102
Cooper Tire & Rubber	105	18	252	120
Adolph Coors	658	857	966	152
Cordis	**	**	**	158
CoreStates Financial	625	565	501	144
Corning	232	110	381	112, 158
Costco Wholesale	10	15	323	168
CPC International	159	220	90	152
Crane	99	474	240	102
Crawford & Co	229	75	131	162
Cray Research	526	960	191	112
Crestar Financial	NM	935	621	144
Crown Central Pet	657	278	785	134
Crown Cork & Seal	388	137	500	156
CRSS	687	291	729	98
Crystal Brands	39	811	815	126
CSX	352	297	752	172
CUC International	242	**	959	168
Culbro	684	1003	916	152
Cummins Engine	NM	910	1089	120
Curtice Burns Foods	639	807	754	152
Cyclops Industries	**	878	74	166
Cyprus Minerals	20	252	574	166
Dairy Mart	NM	839	831	148
Dana	NM	886	641	120
Danaher	42	87	87	120
Dart Group	NM	1016	952	168
Data General	NM	991	1060	112
Datapoint	NM	1009	1116	112
Dayton Hudson	334	477	317	168
Dean Foods	360	362	223	152
Deere & Co	NM	190	737	102
Delchamps	266	745	509	148
Dell Computer	33	183	65	112
Delmarva Power & Lt	651	792	746	130
Delta Air Lines	NM	577	913	174
Delta Woodside Inds	NM	83	99	126
Deluxe	421	703	81	98
Detroit Edison	525	218	616	130
Dexter	460	820	543	108
Diagnostic Products	**	**	**	158
Dial	671	488	886	126
Diamond Shamrock	9	158	328	134
Dibrell Brothers	320	32	226	152
Diebold	NM	697	806	98
Digital Equipment	NM	954	951	112
Dillard Dept Stores	237	74	337	168
Dime Savings Bank FSB	NM	1068	1081	144
Walt Disney	189	142	141	140
Dixie Yarns	646	1019	798	126
Dole	102	266	466	152
Dollar General	NM	310	767	168
Dominion Bankshares	NM	976	825	144

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Dominion Resources	552	544	554	130
Donaldson	327	196	444	102
RR Donnelley & Sons	434	400	340	140
Douglas & Lomason	NM	852	986	120
Dover	300	382	236	102
Dow Chemical	171	526	97	108
Dow Jones	NM	946	211	140
DPL	209	472	450	130
DQE	NM	162	709	130
Dravo	NM	1033	1041	116
Dresser Industries	NM	215	822	134
Drug Emporium	98	876	268	168
DSC Communications	200	850	828	112
EI du Pont de Nemours	260	364	445	108, 134
Duke Power	508	495	539	130
Dun & Bradstreet	444	819	127	140
Duracell Intl	**	**	980	126
Durr-Fillauer	250	125	491	158
DWG	NM	536	1038	126
Dynatech	589	955	577	112
E-Systems	374	573	375	96
Eagle Food Centers	NM	**	812	148
Eagle-Picher Inds	NM	1106	1109	102
Eastern Enterprises	118	776	681	134
Eastman Kodak	282	734	579	126
Eaton	445	647	344	120
Echlin	592	959	856	120
Ecolab	NM	571	475	98
Edison Bros Stores	NM	261	279	168
AG Edwards	478	234	357	144
EG&G	473	411	178	102
Egghead	NM	434	965	168
El Paso Electric	NM	1064	1068	130
Eljer Industries	**	**	**	116
Emerson Electric	425	332	225	102
Emerson Radio	NM	1058	1074	120
Engelhard	475	343	942	166
Enron	NM	276	735	134
Enserch	NM	784	994	134
Entergy	365	200	938	130
Enzo Biochem	**	**	**	158
Equifax	400	515	207	98
Equitable of Iowa	567	319	795	162, 168
Equitable Resources	NM	688	720	134
ERLY Industries	NM	919	1039	152
ESCO Electronics	**	**	**	96
Ethyl	176	494	157	108
Everex Systems	NM	941	873	112
Exxon	NM	340	494	134
Fairchild	NM	875	472	96
Family Dollar Stores	505	307	345	168
Fay's	68	530	377	168
Federal Express	NM	951	897	172
Federal Home Loan Mtg	314	**	78	144
Federal-Mogul	NM	872	869	120
Federal Natl Mortgage	19	41	76	144
Federal Paper Board	25	272	149	156
Federal Signal	145	42	267	102
Ferro	270	124	644	108
FHP International	83	108	32	158
Fieldcrest Cannon	NM	1020	1021	120
Fifth Third Bancorp	376	86	326	144
Figgie Intl	443	653	409	98
Fina	NM	410	671	134
Finevest Foods	NM	1107	1124	148
First American Corp	NM	931	1020	144
First American Finl	673	822	745	162
First Bank System	NM	800	1014	144
First Brands	NM	**	39	126
First Chicago	NM	845	708	144
First City Bncp Texas	**	1099	**	144
First Fidelity Bncp	NM	847	954	144
First Financial Mgmt	51	96	421	98
First Interstate Bncp	NM	948	982	144
First Mississippi	683	453	884	108
First of America Bank	541	503	480	144
First Security	85	314	811	144
First Tennessee Natl	NM	603	657	144
First Union	NM	620	368	144
Firstar	NM	296	424	144
FirstFed Michigan	682	962	877	144
Fisher-Price	**	**	**	126
Fleet/Norstar Finl	NM	786	740	144
Fleetwood Enterprises	NM	513	580	120
Fleming Cos	543	706	666	148
Florida Progress	570	652	524	130
Florida Rock Inds	576	843	359	116
Flowers Industries	NM	840	436	152
Fluor	5	79	559	116
FMC	131	282	1131	108
Food Lion	124	77	66	148
Foodarama Supermkts	635	728	876	148
Ford Motor	NM	836	313	120
Foremost Corp of Amer	NM	981	882	162
Foster Wheeler	NM	302	898	116
Foundation Health	NM	**	1131	158
FPL Group	NM	673	934	130
Freeport-McMoRan	72	174	23	108
Fremont General	NM	431	841	162
Fruehauf Trailer	**	**	**	120
Fruit of the Loom	167	31	165	126
HB Fuller	529	193	629	108
Fuqua Industries	NM	945	753	126
Gamma Biologicals	**	**	**	158
Gannett	420	732	201	140
Gap	109	20	44	168
GATX	95	401	306	144
Gaylord Container	NM	1066	1107	156
Geico	480	250	104	162
GenCorp	306	1018	164	96
Genentech	**	**	**	158
General Cinema	158	851	43	140
General Dynamics	NM	901	979	96
General Electric	303	397	247	96, 102
General Host	NM	980	977	168
General Mills	163	88	10	152
General Motors	NM	794	910	120
General Motors EDS	207	37	487	98
GM Hughes Electronics	435	861	976	96
General Public Utils	238	182	505	130
General Re	86	362	232	162
General Signal	NM	658	948	102
Genesco	NM	356	315	168
Genetics Institute	**	**	**	158

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Geneva Steel	**	**	**	166
Genlyte Group	605	917	**	102
Genovese Drug Stores	371	186	555	168
Genuine Parts	350	429	189	120
Genzyme	**	**	**	158
Georgia Gulf	70	**	8	108
Georgia-Pacific	141	532	285	156
Gerber Products	89	73	146	152
Getty Petroleum	NM	856	442	168
Giant Food	212	318	133	148
Gibson Greetings	389	420	248	126
Gillette	225	64	58	126
Gitano Group	NM	891	94	126
PH Glatfelter	172	184	129	156
Glaxo Holdings	262	46	56	158
GlenFed	NM	1073	993	144
Golden West Finl	NM	232	254	144
BF Goodrich	15	801	608	108
Goodyear	NM	635	687	120
Goulds Pumps	430	547	718	102
WR Grace	456	377	700	108
WW Grainger	347	229	331	102
Granite Construction	354	**	370	116
Great American Mgmt	NM	393	698	102
Great A&P Tea	173	633	511	148
Great Lakes Chemical	65	21	150	108
Gt Western Financial	648	865	750	144
Grey Advertising	398	508	519	140
Grossman's	NM	1039	643	168
Grow Group	NM	834	1056	108
Grumman	NM	899	839	96
GTE	467	368	380	112
Guilford Mills	575	664	875	126
Gulf States Utils	NM	516	1012	130
Hadson	NM	1068	1111	134
Frank B Hall	NM	1062	1130	162
Halliburton	29	522	944	134
Handleman	NM	554	302	140
Handy & Harman	216	987	902	166
MA Hanna	NM	280	593	108
Hannaford Bros	215	139	235	148
Hanover Insurance	363	631	448	162
Hanson	130	323	217	152
Harley-Davidson	41	12	46	120
Harman International	NM	939	891	120
Harnischfeger Inds	27	575	799	102
Harper Group	255	312	431	172
Harris Corp	645	870	909	112
Harsco	NM	685	721	96
Hartford Steam Boiler	236	191	105	162
Hartmarx	NM	1047	1013	168
Hasbro	NM	309	673	126
Hawaiian Electric	NM	632	744	130
Hechinger	NM	907	730	168
HJ Heinz	328	263	95	152
Helene Curtis Inds	672	146	763	126
Henley Group	NM	**	**	158
Hercules	NM	849	819	108
Hershey Foods	332	406	239	152
Hewlett-Packard	458	644	496	112
Hexcel	662	999	872	96
Hibernia	NM	1071	705	144

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Company	Growth	Stock market	Profitability	Page
Highland Superstores	NM	1097	1028	168
Hillenbrand Inds	249	131	230	158
Hillhaven	**	**	**	158
Hills Dept Stores	NM	1081	1129	168
Hilton Hotels	547	604	463	174
Holly Corp	NM	61	1	134
Holnam	NM	**	962	116
Home Depot	24	2	98	168
Home Shopping	NM	1043	878	168
HomeFed	NM	1112	1000	144
Homestake Mining	NM	561	853	166
HON Industries	348	251	107	98
Honda Motor	588	505	788	120
Honeywell	NM	245	477	102
Geo A Hormel	259	152	371	152
Horn & Hardart	NM	1072	1119	168
Houghton Mifflin	NM	827	633	140
Household Intl	418	793	238	144
Houston Industries	596	650	695	130
Howell	NM	520	967	134
Hubbell	383	228	241	102
Hudson Foods	NM	970	654	152
Huffy	135	57	486	120
Hughes Supply	644	908	865	116
Humana	76	267	195	158
JB Hunt Transport	381	730	190	172
Huntington Bcshs	531	448	537	144
IBP	NM	716	791	152
ICF Intl	7	**	82	98
ICH	NM	1077	1104	162
ICN Biomedicals	**	**	**	158
IES Industries	298	608	426	130
IGI	**	**	**	158
Illinois Central	**	**	**	172
Illinois Power	NM	877	1033	130
Illinois Tool Works	75	163	196	102
IMC Fertilizer Group	NM	657	544	108
Imcera Group	47	51	797	158
Immucor	**	**	**	158
Immunex	**	**	**	158
Imo Industries	NM	328	835	102
Imperial Chemical Inds	402	486	338	108
Imperial Holly	NM	239	352	152
INB Financial	NM	568	639	144
Inco	18	112	20	166
Independent Insurance	385	737	776	162
Ingersoll-Rand	202	202	567	102
Ingles Markets	522	745	623	148
Inland Steel Inds	NM	707	911	166
Inspiration Resources	NM	860	1058	108
Instrument Systems	NM	115	864	126
Intel	142	92	220	112
Intelligent Electron	1	19	59	168
Interco	NM	1096	974	120
Interface	204	702	342	98
Intergraph	559	736	600	112
Interlake	NM	1089	900	102
IBM	NM	868	540	112
Intl Flavors & Frags	274	154	237	108
Intl Multifoods	NM	371	723	152
International Paper	69	273	498	156
Intl Specialty Prods	**	**	**	108

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Interpublic Group	269	138	192	140
Interstate Bakeries	**	**	**	152
InterTAN	674	350	683	168
Iowa-Illinois G&E	NM	677	572	130
Ipalco Enterprises	NM	517	470	130
Itel	NM	534	903	112
ITT	138	744	675	162
Jacobs Engineering	17	7	174	116
James River Corp Va	624	952	845	126
Jamesway	NM	1041	1019	168
Jefferson-Pilot	483	367	741	162
Johnson & Johnson	165	95	91	126, 158
Johnson Controls	NM	618	794	120
Jostens	462	326	63	168
JWP	61	262	124	98
Kaman	600	950	689	96
Kansas City P&L	566	378	699	130
Kansas City Southern	NM	676	956	172
Kansas Gas & Elec	NM	450	833	130
Kansas Power & Light	571	741	590	134
Kaufman & Broad Home	367	504	158	116
Kellogg	380	235	52	152
Kellwood	641	756	652	126
Kelly Services	231	611	79	98
Kemper	132	446	650	162
Kennametal	492	569	586	102
Kentucky Central Life	609	994	783	162
Kentucky Utilities	449	581	478	130
Kerr Glass Mfg	NM	938	1034	156
Kerr-McGee	188	478	862	134
KeyCorp	503	285	473	144
Keystone Intl	187	185	263	102
Kimball International	509	509	468	120
Kimberly-Clark	304	168	202	126
King World Prods	63	99	3	140
Kmart	369	475	527	168
KN Energy	263	519	904	134
Knight-Ridder	407	757	212	140
Kroger	649	237	975	148
LA Gear	3	26	5	126
La-Z-Boy Chair	560	445	526	120
Laclede Gas	601	745	684	134
LADD Furniture	NM	1005	432	120
Lafarge	96	559	665	116
Lancaster Colony	80	268	465	152
Lance	451	665	200	152
Lands' End	391	197	48	168
Leggett & Platt	NM	490	408	120
Lennar	477	374	760	116
Leslie Fay Cos	351	417	309	126
Leucadia National	NM	210	274	162
LG&E Energy	565	591	625	130
Liberty Corp	NM	587	748	162
Life Technologies	**	**	**	158
Lifetime	43	487	742	158
Eli Lilly	283	223	119	158
Limited	214	373	62	168
Lincoln Electric	NM	461	733	102
Lincoln National	NM	656	758	162
Lionel	NM	1092	1007	168
Litton Industries	NM	617	680	96
LIVE Entertainment	93	835	214	140

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Company	Growth	Stock market	Profitability	Page
Liz Claiborne	151	316	41	126
Lockheed	NM	841	428	96
Loctite	121	69	137	108
Loews	375	298	179	162
Lone Star Tech	NM	926	1065	166
Long Island Lighting	602	159	937	130
Longs Drug Stores	358	598	332	168
Longview Fibre	161	334	182	156
Loral	412	799	347	96
Lotus Development	NM	482	115	112
Louisiana Land	NM	498	945	134
Louisiana-Pacific	112	527	634	156
Lowe's Cos	493	682	662	168
LSI Logic	NM	912	1042	112
LTV	NM	941	1131	166
Lubrizol	160	354	209	108
Lukens	54	47	253	166
Lyondell Petrochem	**	**	**	108
M/A-Com	NM	998	1044	112
Magma Copper	NM	831	358	166
MagneTek	28	**	21	102
MAI Systems	NM	1108	1094	112
Manor Care	NM	593	620	158
Manufacturers Hanover	NM	963	1025	144
Manufacturers Natl	433	212	427	144
Manville	NM	986	**	116
Mapco	219	217	175	134
Marion Merrell Dow	234	358	36	158
Mark IV Industries	57	148	60	102
Marriott	629	968	276	174
Marsh & McLennan Cos	395	623	34	162
Marsh Supermarkets	292	292	389	148
Marshall & Ilsley	506	275	443	144
Marshall Industries	64	147	400	112
Martin Marietta	396	480	92	96
Masco	582	890	534	116
Masco Industries	NM	1022	813	120
Mattel	NM	45	148	126
Maxtor	NM	1052	1003	112
Maxus Energy	NM	669	1123	134
Maxxam	NM	68	12	166
May Dept Stores	117	430	261	168
Maytag	586	949	197	120
MBNA	256	**	143	144
McCaw Cellular	NM	338	1072	112
McClatchy Newspapers	417	679	475	140
McCormick & Co	77	39	147	152
McDermott Intl	NM	866	1088	102
McDonald's	313	346	188	148
McDonnell Douglas	654	740	846	96
McGraw-Hill	NM	771	392	140
MCI Communications	30	38	132	112
McKesson	548	648	659	158
MCN	650	549	419	134
MDC Holdings	NM	1090	1102	116
Mead	NM	640	614	156
Medco Containment	59	28	821	168
Media General	NM	789	844	140
Medtronic	239	49	171	158
Mellon Bank	NM	940	1032	144
Melville	333	405	183	126
Mercantile Bancorp	NM	556	908	144

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Mercantile Stores	530	772	515	168
Merck	106	63	13	158
Mercury General	129	299	139	162
Meredith	310	885	669	140
Meridian Bancorp	664	718	751	144
Merisel	NM	574	186	112
Meritor Savings Bank	NM	1094	1110	144
Merrill Lynch	608	481	920	144
Merry-Go-Round	74	24	80	168
Fred Meyer	499	330	773	168
Michael Foods	122	339	125	152
Michigan National	330	641	390	144
MicroAge	NM	295	320	168
Micron Technology	NM	100	284	112
Microsoft	36	6	16	112
Midlantic	NM	1087	894	144
Midwest Resources	NM	777	642	130
Herman Miller	627	863	578	98
Millipore	NM	692	607	98
Mine Safety Appliance	488	512	697	98
Minn Mining & Mfg	285	418	181	98
Minnesota Power & Lt	NM	745	490	130
Mirage	NM	128	598	174
Mitchell Energy	321	436	950	134
MLX	NM	1109	1113	116
MNC Financial	NM	1067	988	144
Mobil	447	349	649	134
Modine Manufacturing	441	260	379	120
Molecular Biosystems	**	**	**	158
Molex	338	333	453	112
Monsanto	309	345	446	108
Montana Power	NM	555	779	130
Moore Corp	NM	742	603	98
JP Morgan & Co	NM	432	926	144
Morgan Products	NM	1029	917	116
Morgan Stanley	247	127	93	144
Morrison	245	455	395	148
Morrison Knudsen	NM	802	1017	116
Morton International	465	**	488	108
Motorola	58	320	571	112
Multimedia	37	407	1131	140
Murphy Oil	NM	501	940	134
Nacco Industries	479	370	333	102
Nalco Chemical	299	144	144	108
Nash Finch	545	745	676	148
Nashua	470	803	653	98
National City	419	666	349	144
Natl Convenience	NM	1075	1071	148
National Education	NM	1007	987	98
National Fuel Gas	NM	558	725	134
National Health Labs	91	93	187	158
National Intergroup	NM	684	1096	158
National Medical	111	605	304	158
Natl Semiconductor	NM	1001	1078	112
National Service	606	798	613	102
Navistar Intl	NM	974	867	120
NBD Bancorp	377	192	398	144
NCH	147	195	255	108
NCNB	378	352	384	144
Neiman Marcus Group	NM	887	1029	168
New England Electric	NM	669	602	130
New Valley	NM	1102	1127	144
NY State E&G	NM	842	691	130
New York Times	NM	985	278	140
Newell Co	115	17	228	120
Newmont Mining	190	563	971	166
Niagara Mohawk Power	681	723	947	130
Nicor	NM	353	283	134
NIKE	40	10	45	126
Nipsco Industries	66	188	830	130
Nissan Motor	155	440	949	120
NL Industries	50	975	**	108
Noland	614	933	929	116
Nordstrom	271	341	282	168
Norfolk Southern	413	211	722	172
Nortek	NM	1088	1079	116
Northeast Federal	NM	1084	1101	144
Northeast Utilities	572	782	661	130
No States Power	NM	606	552	130
Northern Telecom	502	105	510	112
Northern Trust	NM	169	406	144
Northrop	NM	966	881	96
Norwest	NM	145	413	144
Novell	26	4	35	112
Nucor	459	120	459	166
NWNL	519	769	702	162
Nynex	579	619	686	112
Occidental Petroleum	NM	900	1063	134
Office Depot	NM	53	656	168
Ogden	634	816	435	98
Ohio Casualty	336	615	454	162
Ohio Edison	604	731	707	130
Oklahoma G&E	471	614	451	130
Old Kent Financial	510	392	363	144
Old Republic Intl	468	315	461	162
Olin	416	681	514	108
Olsten	323	284	203	98
Omnicom Group	373	422	257	140
Oneida	663	463	647	120
Oneok	NM	805	807	134
Oracle Systems	NM	22	122	112
Orange & Rockland	562	683	566	130
Orion Capital	NM	621	624	162
Orion Pictures	NM	1065	1051	140
Oryx Energy	**	720	**	134
Oshkosh Truck	NM	967	914	96
Outboard Marine	NM	937	1040	120
Owens & Minor	NM	121	784	158
Owens-Corning	NM	460	1131	116
Oxford Industries	NM	695	932	126
Paccar	346	219	374	120
Pacific Enterprises	NM	992	890	134, 168
Pacific G&E	578	586	823	130
Pacific Telesis	536	402	516	112
PacifiCare Health	90	27	117	158
PacifiCorp	504	543	485	130
PaineWebber Group	NM	817	1016	144
Pall	392	221	292	108
Pamida Holdings	NM	**	9	168
Panhandle Eastern	NM	989	1075	134
Paramount Commun	179	572	116	140
Parker Hannifin	580	643	743	102
Penn Central	NM	809	893	102
Penn Traffic	NM	317	1128	148

Growth: 5-year annual earnings-per-share growth. **Stock market:** 5-year price change. **Profitability:** 5-year return on equity.
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	RANK			
Company	Growth	Stock market	Profitability	Page
JC Penney	319	459	412	168
Pennsylvania P&L	446	499	520	130
Pennzoil	103	832	1077	134
Pentair	414	342	550	102
People's Bank	**	1035	**	144
Peoples Energy	NM	551	548	134
Pep Boys	442	567	530	168
PepsiCo	241	70	88	152
Perini	NM	1036	963	116
Perkin-Elmer	NM	609	1015	158
Perry Drug Stores	NM	915	1054	168
Pet	**	**	**	152
Petrie Stores	670	884	939	168
Petroleum Heat & Pwr	NM	882	1076	134
Pfizer	507	178	312	158
Phelps Dodge	16	65	128	166
PHH	NM	700	628	98
Philadelphia Elec	NM	722	829	130
Philip Morris Cos	156	52	50	152
Philips Electronics	NM	773	1070	120
Phillips Petroleum	452	222	295	134
Phillips-Van Heusen	403	170	64	126
PHM	254	444	610	116
Pic'N'Save	617	758	299	168
Piedmont Natural Gas	305	473	482	134
Pier 1 Imports	NM	764	469	168
Pilgrim's Pride	NM	909	434	152
Pinkerton's	79	**	112	98
Pinnacle West	NM	983	1030	130
Pioneer Financial Svs	NM	828	832	162
Pioneer Hi-Bred Intl	409	214	507	152
Pitney Bowes	485	387	321	98
Pittston	NM	484	984	172
Pittway	591	**	793	120
Ply Gem Industries	NM	947	808	116
PNC Financial	668	709	667	144
Polaroid	194	879	727	126
Pope & Talbot	126	610	262	156
Portland General	NM	1000	871	130
Potlatch	150	596	415	156
Potomac Electric	NM	760	441	130
PPG Industries	307	533	233	120
Precision Castparts	235	253	250	96
Premark Intl	619	336	734	120
Premier Bancorp	NM	826	1092	144
Premier Industrial	268	209	83	102
Preston	NM	1051	1048	172
Price Co	273	306	166	168
Primerica	44	325	533	144
Procter & Gamble	113	204	270	126
Progressive	276	366	136	162
Promus Cos	**	**	**	174
Provident Life & Acc	512	726	612	162
PS Group	NM	719	924	98
PSI Resources	490	598	42	130
Public Service Colo	491	502	481	130
Public Service NM	NM	1057	1006	130
Pub Svc Enterprise	515	735	563	130
Puget Sound P&L	NM	589	591	130
Pulitzer Publishing	474	928	2	140
Quaker Oats	394	337	134	152
Quaker State	NM	973	968	134

	RANK			
Company	Growth	Stock market	Profitability	Page
Quanex	6	16	437	166
Quantum	NM	198	103	112
Quantum Chemical	NM	1048	631	108
Questar	NM	627	802	134
QVC Network	NM	768	941	168
Ralston Purina	556	425	37	152
Raychem	NM	693	1009	112
Raytheon	340	628	145	96
Reader's Digest Assn	140	**	19	140
Reebok International	218	171	70	126
Reliance Group	NM	979	193	162
Repligen	**	**	**	158
Republic New York	NM	698	790	144
Rexene	**	1100	**	108
Reynolds & Reynolds	NM	823	319	98
Reynolds Metals	107	132	281	166
Rhone-Poulenc	NM	**	438	108
Rhone-Poulenc Rorer	405	36	581	158
Richfood Holding	**	379	**	148
Riggs National	NM	1074	1004	144
Riser Foods	**	447	249	148
Rite Aid	431	541	308	168
RJR Nabisco	**	**	**	152
Roadway Services	404	365	546	172
Robertson-Ceco	NM	1078	1083	116
Rochester G&E	NM	795	757	130
Rochester Telephone	NM	465	606	112
Rockwell Intl	540	674	311	96
Rohm & Haas	422	645	348	108
Rohr Industries	583	902	912	96
Rollins	439	443	22	98
Rose's Stores	NM	1042	1001	168
Ross Stores	198	72	360	168
Rouse	NM	905	820	144
RPM	342	289	324	108
Rubbermaid	252	143	168	120
Ruddick	361	229	523	148
Russell	288	408	314	126
Ryder System	677	982	888	144
Rykoff-Sexton	NM	846	818	148
Ryland Group	464	651	198	116
Safeco	372	395	318	162
Safeguard Scientifics	203	733	246	98
Safety-Kleen	278	259	184	98
Safeway	NM	**	1131	148
St Joe Paper	NM	**	780	156
St Paul Cos	114	355	298	162
Salant	NM	1056	1121	126
Salem Carpet Mills	622	1026	766	126
Sallie Mae	148	187	38	144
Salomon	NM	896	796	144
San Diego G&E	NM	540	467	130
Santa Fe Pacific	NM	**	**	172
Sara Lee	277	102	218	152
Savannah Foods	101	113	161	152
Savin	NM	1110	1125	98
Scana	487	671	394	130
SCEcorp	557	528	455	130
Schering-Plough	182	81	111	158
Schlumberger	120	226	648	134
A Schulman	180	78	216	108
Schultz Sav-O Stores	399	207	393	148

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WHO'S WHERE IN THIS ISSUE

	RANK			
Company	Growth	Stock market	Profitability	Page
Charles Schwab	**	23	816	144
SCI Systems	679	984	896	112
Scientific-Atlanta	NM	514	732	112
Scott Paper	NM	691	418	126
EW Scripps	NM	622	710	140
Seaboard	284	862	547	152
Seagate Technology	NM	1009	399	112
Seagram	244	271	535	152
Sealed Air	630	762	842	156
Sears, Roebuck	577	806	814	162, 168
Seaway Food Town	NM	629	663	148
Security Pacific	656	855	692	144
Selective Insurance	514	661	251	162
Sequa	678	914	635	96
Service Corp Intl	NM	754	928	126
Service Merchandise	133	94	762	168
Shared Medical Sys	626	1014	429	98
Shaw Industries	267	97	138	126
Shawmut National	NM	1037	1005	144
Sherwin-Williams	427	409	287	108
Shoney's	623	135	889	148
Sigma-Aldrich	195	176	118	108
Signet Banking	NM	961	513	144
Silicon Graphics	22	60	502	112
Sizzler Intl	144	**	493	148
Skyline	615	763	866	116
Smart & Final	248	**	386	168
AO Smith	NM	810	915	120
Smith Corona	**	**	**	98
Smith International	NM	166	1080	134
Smithfield Foods	197	35	49	152
Smith's Food & Drug	226	**	330	148
JM Smucker	291	82	266	152
Snap-on Tools	370	646	221	120
Society	423	327	405	144
Sonat	NM	452	861	134
Sonoco Products	469	324	307	156
Sony	379	256	843	120
Sotheby's Holdings	31	602	18	168
South Carolina Natl	426	369	504	144
Southdown	686	830	615	116
Southern Co	597	607	703	130
So New Eng Telecom	520	642	541	112
SouthTrust	484	462	396	144
Southwest Airlines	455	213	777	174
Southwest Gas	NM	943	626	134
Southwestern Bell	561	390	597	112
Southwestern Pub Svc	NM	712	366	130
Spiegel	154	329	205	168
Sprague Technologies	NM	913	1097	112
Springs Industries	NM	560	880	120
SPS Technologies	NM	932	970	96
SPX	NM	1015	565	120
Std Commercial	659	290	960	152
Standard Fedl Bank	636	188	632	144
Standard Motor Prods	607	990	849	120
Standard Products	NM	848	992	120
Standard Register	585	911	636	98
Standex International	339	483	542	98
Stanhome	162	76	86	126
Stanley Works	453	451	447	102
State Street Boston	337	161	260	144
Sterling Chemicals	667	1049	7	108

	RANK			
Company	Growth	Stock market	Profitability	Page
Stewart & Stevenson	125	5	222	102
Stone Container	143	672	154	156
Storage Technology	647	638	627	112
Stratus Computer	92	240	162	112
Strawbridge	NM	897	640	168
Stride Rite	55	14	84	126
Sudbury	NM	1111	1108	102
Sun Co	669	838	955	134
Sun Microsystems	52	229	301	112
Sundstrand	251	595	618	96
SunTrust Banks	397	300	322	144
Super Food Services	511	797	497	148
Super Valu Stores	368	690	290	148
Synbiotics	**	**	**	158
Synergen	**	**	**	158
Syntex	258	98	11	158
Sysco	186	107	265	148
Talley Industries	NM	1054	1084	96
Talman Home Federal	653	668	919	144
Tambrands	408	243	156	126
Tandem Computers	613	957	800	112
Tandon	NM	930	892	112
Tandy	527	934	356	168
TBC	38	29	130	120
TCF Financial	NM	456	1049	144
Tech Data	146	48	102	112
TECO Energy	463	331	423	130
Tecumseh Products	652	853	803	102
Tektronix	NM	988	1011	112
Tele-Communications	NM	283	1091	140
Teledyne	NM	**	17	96
Teleflex	286	233	280	96
Temple-Inland	123	238	310	156
Tenneco	NM	821	525	102
Teradyne	NM	844	1031	112
Terex	73	80	101	102
Tesoro Petroleum	NM	997	1062	134
Texaco	NM	321	693	134
Texas Industries	NM	739	989	166
Texas Instruments	NM	898	738	112
Texas Utilities	NM	545	576	130
Textron	568	630	651	96
Thermo Electron	233	157	601	98
Thiokol	NM	**	440	96
Thomas & Betts	476	600	353	112
Thomas Industries	NM	881	609	102
Thorn Apple Valley	NM	9	173	152
3Com	NM	920	901	112
Tiffany	60	71	29	168
Time Warner	NM	601	1023	140
Times Mirror	584	833	355	140
Timken	35	696	958	102
TJX Cos	NM	**	**	168
Torchmark	355	224	108	162
Toro	590	708	503	120
Tosco	14	165	33	134
Town & Country	NM	1032	858	168
Toys 'R' Us	168	181	210	168
Transamerica	486	616	637	162
Transco Energy	NM	995	995	134
Travelers	NM	1021	972	162
Tredegar Industries	**	**	**	166
Tribune	NM	537	719	140

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RANK

Company	Growth	Stock market	Profitability	Page
Trinity Industries	46	348	668	102
Trinova	638	883	768	102
TRW	NM	837	378	120
Tucson Electric	NM	1093	1098	130
Turner Broadcasting	NM	11	1131	140
Turner Corp	NM	1040	1067	116
TW Holdings	**	**	**	148
20th Century Inds	56	141	67	162
Tyco Laboratories	127	386	160	102
Tyco Toys	NM	50	258	126
Tyson Foods	201	201	114	152
UAL	NM	151	126	174
UGI	NM	427	672	134
UJB Financial	NM	923	739	144
UNC	NM	1008	879	96
Unifi	78	25	142	126
Unilever NV	228	236	277	152
Union Bank	280	944	401	144
Union Camp	152	518	373	156
Union Carbide	640	859	89	108
Union Electric	178	564	462	130
Union Pacific	501	435	557	172
Union Texas Petrol	NM	136	40	134
Unisys	NM	1083	1064	112
United HealthCare	NM	13	369	158
United Illuminating	NM	578	973	130
US Bancorp	331	322	422	144
US Healthcare	NM	33	135	158
US Home	NM	1098	1103	116
US Shoe	NM	969	981	168
US Surgical	84	1	194	158
United Stationers	594	972	755	98
United Technologies	191	710	528	96
United Telecom	NM	305	362	112
Unitrin	NM	**	859	162
Univar	139	177	410	108
Universal	261	244	**	152
Universal Foods	128	58	199	152
Universal Health	593	274	930	158
Unocal	NM	265	685	134
UNUM	62	114	592	162
Upjohn	424	506	288	158
US West	497	546	512	112
USAir Group	NM	1053	1053	174
USF&G	NM	1079	1035	162
USG	NM	1060	747	116
Uslico	NM	903	713	162
USLife	563	727	837	162
UST Inc	221	30	31	152
USX-Marathon	NM	**	801	134
USX-US Steel	183	**	57	166
UtiliCorp United	532	500	568	134
Valero Energy	2	44	868	134
Valhi	71	380	75	108
Valley National	NM	920	1045	144
Valmont Industries	32	85	303	102
Valspar	230	164	159	108
Value City Dept	**	**	**	168
Varian Associates	NM	372	870	112
Varity	NM	761	658	120
Venture Stores	NM	**	769	168
VF	581	634	417	126
Viacom	**	54	1052	140

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Company	Growth	Stock market	Profitability	Page
Vigoro	97	**	4	108
Village Super Market	631	926	810	148
Vishay Intertech	205	399	296	112
Volt Info Sciences	NM	1045	998	98
Volvo	NM	590	564	120
Vons Cos	NM	66	883	148
Vulcan Materials	312	585	219	116
VWR	489	569	234	158
Waban	**	**	**	168
Wachovia	440	301	350	144
Wackenhut	457	637	346	98
Wal-Mart Stores	94	43	51	168
Walgreen	315	216	215	168
Wallace Computer Svcs	448	815	433	98
Wang Laboratories	NM	1061	1115	112
Warnaco Group	NM	**	1131	126
Warner-Lambert	296	153	30	158
Washington Gas Light	NM	531	638	134
Washington Mutual	NM	279	851	144
Washington National	NM	1002	1024	162
Washington Post	308	625	85	140
Waste Management	164	129	140	98
Waxman Inds	NM	778	177	116
Weirton Steel	NM	**	983	166
Weis Markets	436	701	351	148
Wellman	67	308	54	108
Wells Fargo	134	582	185	144
Wendy's Intl	4	858	918	148
Western Digital	NM	1086	1047	112
Western Publishing	633	729	521	140
Westinghouse	NM	953	294	102
Westmark Intl	NM	90	931	158
Westmoreland Coal	NM	829	985	134
Westvaco	500	523	605	156
Wetterau	415	552	264	148
Weyerhaeuser	341	787	711	156
Wheeling Pittsburgh	**	**	**	166
Whirlpool	642	724	771	120
Whitman	NM	**	**	152
Wicor	621	659	761	134
Willamette Inds	192	507	208	156
Willcox & Gibbs	NM	675	560	102
Williams Cos	680	398	827	134
Winn-Dixie Stores	410	391	271	148
Winnebago Industries	NM	1050	1087	120
Wisconsin Energy	537	491	458	130
Wisconsin Public Svc	569	678	588	130
Witco	NM	765	728	108, 134
WLR Foods	NM	538	474	152
Woolworth	357	492	364	168
Worthington Inds	533	269	336	166
WPL Holdings	NM	612	536	130
WPP Group	349	1085	978	140
Wm Wrigley Jr	153	104	73	152
Wyle Laboratories	136	705	787	112
Wyman-Gordon	NM	1063	991	96
Xerox	616	715	852	98, 162
XOMA	**	**	**	158
Yellow Freight Sys	NM	904	646	172
Zenith Electronics	NM	1046	1082	120
Zenith National Ins	NM	936	789	162
Zurn Industries	356	294	611	98

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THE FORBES/BARRA WALL STREET REVIEW

BY ERIC S. HARDY

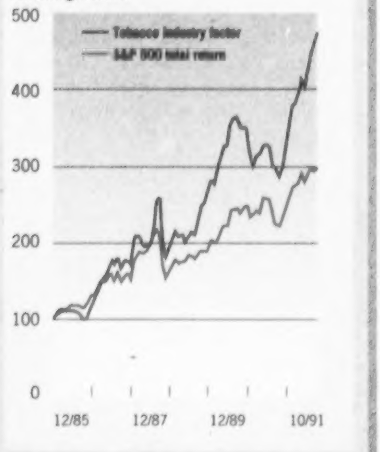
Is there any reason to be optimistic about the economy and the stock market in 1992? Yes, according to Bear, Stearns chief economist Lawrence Kudlow. Argues Kudlow: "A declining [inflation rate] has the same monetary effect as a tax cut, yet doesn't—even in the short term—reduce government revenues." He explains that a lower cost of living gives consumers more discretionary income, which also happens when taxes are reduced. But lower taxes increase the budget deficit in the short term. Kudlow predicts economic growth of about 3% in 1992. That's slow compared with a typical recovery, but it still represents economic expansion. He says inflation should run at or below 3% this year.

Kudlow is rather aggressive in both his enthusiasm for the market and the kinds of stocks he's recommending—cyclicals like metals, chemicals, construction, autos and banks.

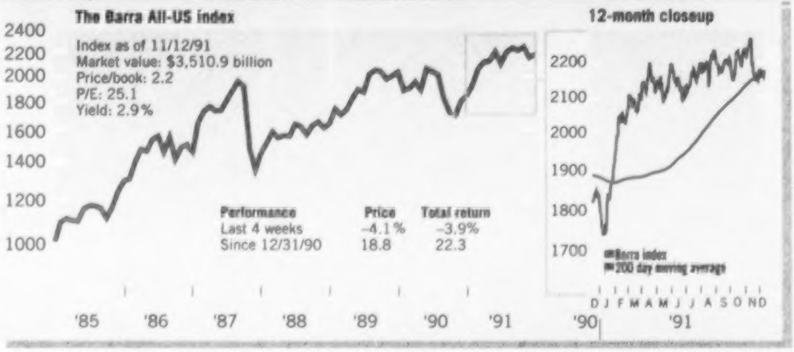
Special focus

Some sin industries do better than others. From January 1985 through October 1991 the total return on Barra's tobacco industry factor was 61% better than the S&P 500 return. The alcohol industry's total return exceeded it by 54%. But the figure for the gambling industry was only 11% better than the market.

Smoking returns



The overall market



Closeup on the market

Index or investment	2-week change	% change from 1 year	% change from 5-year high
Barra All-US index	1.2%	18.4%	-4.2%
Sharpe/Barra Growth index[1]	3.1	25.1	-1.4
Sharpe/Barra Value index[2]	-0.3	13.7	-6.3
Dow Jones industrials	-0.2	10.7	-5.9
S&P 500	1.3	15.9	-4.0
NYSE	1.1	16.9	-4.1
Nasdaq	2.5	44.3	-3.6
Amex	-1.1	19.4	-6.7
EAFE[3]	-1.9	-1.9	-22.2
CRB index[4,5]	-2.6	-4.9	-22.9
Gold[5]	-2.6	-4.1	-28.7
Yen[5]	-0.5	-2.3	-21.2
Oil[5]	-6.6	-24.4	-51.5

The best and worst performing stocks[6]

Best	Price	2-week change	1991 EPS[7]	Worst	Price	2-week change	1991 EPS[7]
Vestar	19 1/4	66%	$-0.28	Live Entertainment	2 7/8	-62%	$1.53
Alkermes	16	39	-1.07	CII Financial	6 7/8	-47	1.83
PacifiCare Health Sys	32 1/4	39	2.05	Plains Research	14	-39	-0.16
MGI Pharma	17 1/4	37	-0.97	Sanifill	13 5/8	-38	1.03
TZ Medical	51	35	1.37*	Kentucky Central Life Ins	5 1/8	-36	1.54

The best and worst performing industry factors[6,8]

Best	2-week change	Since 12/31/90	Worst	2-week change	Since 12/31/90
Air transport	6.8%	16.6%	Coal & uranium	-3.9%	-1.1%
Cosmetics	6.3	43.1	Misc. mining, metals	-3.9	10.7
Pollution control	6.2	4.5	Iron & steel	-3.6	1.3
Soaps, houseware	5.0	25.1	Paper	-2.8	7.9
Telephone, telegraph	3.9	14.0	Photographic, optical	-2.6	7.5

Note: Data for period ending 12/12/91. The Barra All-US index consists of all publicly traded common stocks for which price quotations are available and ordinary shares of foreign stocks trading on U.S. markets. ADRs, REITs and closed-end funds are excluded. [1] Total return of a portfolio of more than 150 large-capitalization stocks that has high historical earnings growth and has predicted above average earnings growth. [2] Total return of more than 300 large-capitalization stocks characterized by low price-to-book ratios, high yields and low price-to-earnings ratios. [3] A dollar-denominated capitalization-weighted index of more than 1,000 stocks from Europe, Australia, New Zealand and the Far East. Source: Morgan Stanley Capital International Perspective. [4] Index of 21 commodity futures. [5] Knight-Ridder Financial Information. [6] During the last two weeks. [7] Estimate. Source: Institutional Brokers Estimate System, from IBES, Inc. [8] Shows return to the industry factor after controlling for other influences including company size, value and growth characteristics. Multi-industry firms have proportional contributions in two or more groups. *1992 estimate. Principal source: Barra, Inc., Berkeley, Calif.

FIXED INCOME REVIEW

BY ERIC S. HARDY

The wonderful returns that bond buyers enjoyed in 1991 look pretty close to unrepeatable in 1992. For starters, interest income will be lower. A five-year Treasury note, which was paying 8¾% a year ago, now yields about 6¼%. As for capital gains, which on Treasurys can come only from a decline in interest rates, the question is how much further rates can fall at various points along the yield curve.

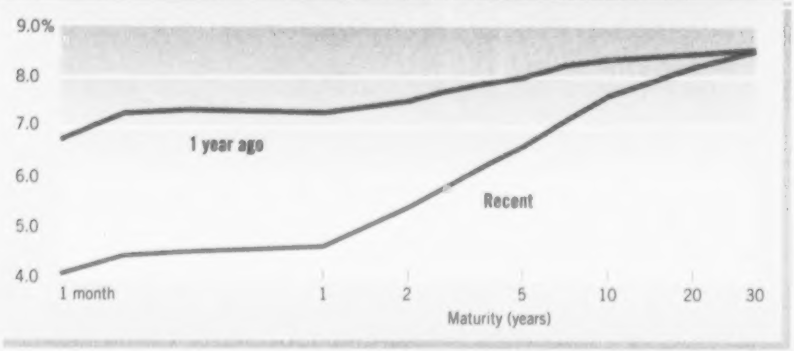
What about corporate bonds, which also enjoyed a rally in 1991? In that sector, capital gains can come from two sources: declines in interest rates and improvements in perceived credit quality. Both of these factors—plus the high coupons on the bonds—contributed to the 12-month 43% total return on junk bonds. The rally could continue, but, as with Treasurys, a repeat performance in the junk sector is not likely.

Martin Fridson, a junk specialist at Merrill Lynch, offers a reason the market should at least be less risky than it was in the late 1980s. "The high-yield market collapsed because the firm that was perceived to dominate the market [Drexel Burnham Lambert] also collapsed," says Fridson. "Investors now feel the market is much less concentrated."

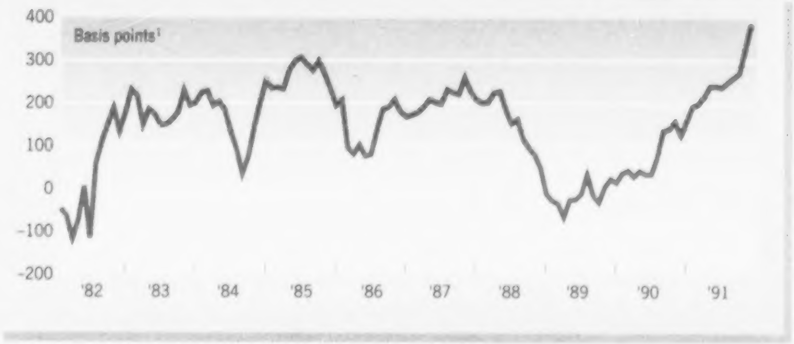
The shortest-maturity Treasury bills are now yielding only 4¼% on a bond-equivalent basis (nominal "discount" yields are a little lower). How unhappy should today's bond buyers be with this return? It depends on their outlook for inflation. Consumer prices in November were 3% higher than a year earlier. If inflation stays that low, then a tax-free account can earn over 1% of real return from T bills. But a taxable buyer in the 32% bracket would not quite break even after taxes and inflation.

There is a way to get a positive real aftertax return: Take some risk. A high-quality 20-year municipal bond yields about 6.5%—an after-inflation yield of about 3.5%. The risk is that inflation will pick up again, destroying more of that 6.5% coupon and probably causing a sharp price decline in the bond as well.

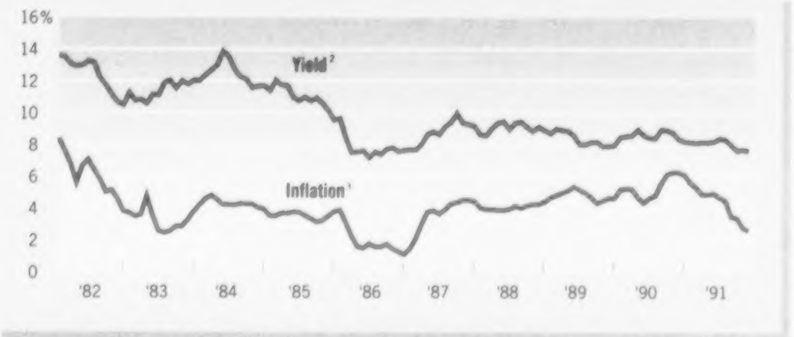
Yield curve



30-year rate minus 1-year rate



Yield vs. inflation



Spread over Treasurys

Security	Basis points[1]
AA corporates	58
AAA industrials	63
Ginnie Maes	89
Junk corporates[4]	686
Municipals[5]	-117

Total returns

Security	1 year[6]	3 years[6,7]
AAA corporates	15.2%	11.9%
Ginnie Maes	15.0	13.1
Junk corporates[4]	42.7	10.5
Municipals[5]	10.3	9.7
Treasury bonds	13.3	11.6

Note: Except where footnoted, all information provided by Berkeley, Calif.-based Barra, a financial consulting firm. [1] A basis point is equal to one-hundredth of a percentage point. [2] Yield on ten-year Treasurys. [3] The trailing 12-month increase in the Consumer Price Index, through 11/29/91. [4] Source: First Boston. [5] Source: Shearson Lehman Brothers. [6] Data through 11/29/91. [7] Annualized

When interest rates start trending up again, will this signal the end of the bull market? Don't bet on it.

What feeds the bull?

BY CHARLES E. BABIN

Charles E. Babin is managing director of BRS Capital Management, Inc., an investment management firm in Boston.

FOR THE PAST YEAR or so, a common theme seemed to dominate the financial press: Nearly every uptick in the stock market was attributed to either a drop in interest rates or the anticipation of one.

It would be easy to assume from this Johnny-one-note interpretation that the bull market will be over when interest rates start rising again. This doesn't necessarily follow.

True, rates have fallen precipitously, especially in the short end of the yield curve. The spot yield for a three-month Treasury bill at the end of November, for example, was hovering around 4.35%—down 267 basis points from its year-earlier level (7.02%). This represents a 38% decline in the price of credit and is the lowest T bill yield since 1976. During this period of declining interest rates, stocks have been strong, with the S&P Composite returning 20.4%, including dividends. So it is hardly surprising that investors associate declining interest rates with rising stock prices.

Eventually, as the economic recovery proceeds, interest rates likely will rise. In fact, November's closing Treasury bill futures market quotations suggest that three-month bill yields will bottom out sometime over the next six months and then slowly but surely inch higher.

From the inception of this market in January 1976, Treasury bill futures have provided a fairly reliable signal of impending annual changes in T bill yields. Are they, then, foretelling an end to the bull market?

No. Here's why:

As is evident from the snapshot presented in the accompanying table, interest rates and share prices don't always move in opposite directions, especially at inflection points in the business cycle. Most previous bust-to-boom cycles were characterized by a runup in interest rates—often a big one—as the economy gained strength. Despite this, the stock market has tended to march on, its total return averaging better than 20%, well above its historical mean of 12.9%. Notice that the biggest jump in interest rates coincided with the biggest increase in industrial production as well as the most robust stock market; the second-largest interest rate increase was associated with the second-best economic/stock market performance.

Assuming Commerce Secretary Robert Mosbacher is correct in his recent pronouncement that the recession is over, it's noteworthy that the credit market's behavior prior to the upturn has mirrored the historical pattern. (T bill yields in the year preceding economic troughs dropped 37% on average.) Given that the linkages seem to be holding up during the current business cycle, there's a good likelihood that the recovery period will follow this pattern. This would mean a stock market that continues to rise, even if interest rates turn up.

As I discussed in my Oct. 1, 1990 column, statistical testing confirms that interest rate fluctuations can be used to anticipate broad stock market swings. And, based on this observed relationship, today's interest rate picture suggests that the S&P's total return in the year ahead will exceed that of cash equivalents. A double-digit outcome is probable.

To be sure, higher interest rates will eventually exact a toll from the economy and from the equity markets. But at this point in the business cycle, any upward movement should be interpreted as a symptom of economic recovery rather than as a death blow for the stock market. If history is any guide, the bull market is not finished, nor will it be finished when interest rates start rising again. ■

If the recession is over, as the Commerce Department claims, interest rates could move higher during the year ahead. But if history is a guide, equity markets can survive the threat.

Are higher interest rates bad for stocks?

Economic trough	Change over ensuing 12-month period		
	Price of credit[1]	Industrial production	S&P Composite[2]
Nov 1982	7.2%	10.9%	25.6%
July 1980	72.5	7.7	12.9
Mar 1975	–10.1	11.1	28.4
Nov 1970	–14.5	6.3	11.2
Feb 1961	5.0	13.3	13.6
Apr 1958	137.5	21.3	37.3
May 1954	93.1	13.9	36.0
Average	41.5%	12.2%	23.6%

[1] Fiscal-year change in three-month T bill yield. [2] Includes dividends.

NOTE

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